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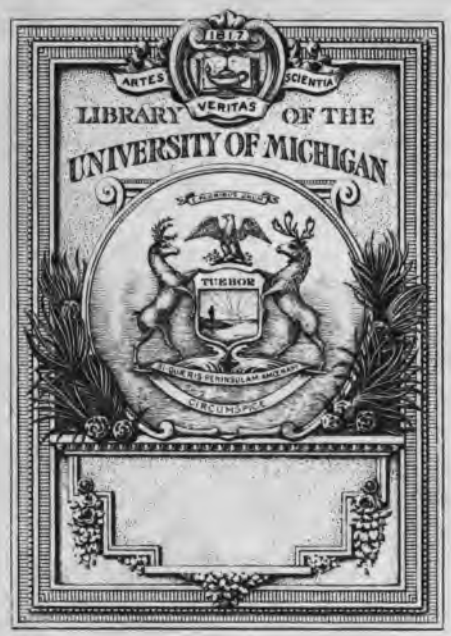

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THE

WORKS,

POLITICAL, METAPHISICAL, AND CHRONOLOGICAL,

OF THE LATE

SIR JAMES STEUART OF COLTNESS, BART.

NOW FIRST COLLECTED

BY GENERAL SIR JAMES STEUART, BART.
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IN SIX VOLUMES.

VOL. IV.

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AN

INQUIRY

INTO THE

PRINCIPLES OF POLITICAL ŒCONOMY

BEING AN

ESSAY ON THE SCIENCE

OF

Domeſtic Policy in Free Nations.

IN WHICH ARE PARTICULARLY CONSIDERED

POPULATION, AGRICULTURE, TRADE, INDUSTRY, MONEY, COIN, INTEREST, CIRCULATION, BANKS, EXCHANGE, PUBLIC CREDIT, AND TAXES.

Ore trahit quodcumque poteſt atque addit acervo.

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AN

INQUIRY

INTO THE

PRINCIPLES OF POLITICAL ŒCONOMY.

BOOK IV.

OF CREDIT AND DEBTS.

PART IV.

OF PUBLIC CREDIT.

CHAP. I.

Of the various Conſequences of Public Debts.

CHAP. I.

THE principles which influence the doctrine of public credit are ſo few, and ſo plain, that it is ſurpriſing to ſee how circumſtances ſhould poſſibly involve them in the obſcurity into which we find them plunged on many occaſions.

For the better clearing the way towards the main object, I ſhall ſhew, from experience, and from the progreſs of public credit in ſome nations, that the true principles have been overlooked, and ſo confounded with extraneous objects, as to be entirely loſt.

The true method of decyphering, as it were,

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BOOK IV.

the complicated operations of ſtateſmen with reſpect to this branch of politics, is to bring back to their native ſimplicity ſuch plans of adminiſtration, as, from the infinite perplexity of them, make people believe, that the principles which influence this diſtrict of the ſcience lie ſo involved, as to require a peculiar force of genius even to comprehend them.

By proceeding in this plain track, and by keeping principles conſtantly in view, the moſt perplexed ſyſtems of borrowing, funding, ſtock-jobbing, coining and re-coining of money, changing the weight, fineneſs, and denominations of ſpecie, circulating paper in conjunction with it, impoſing upon mankind with bubbles and bankruptcies, and calling them operations of public credit, may be rendered intelligible to the moſt ſlender capacity.

Many of theſe topics have been already explained, and diſmiſſed. This will enable us to contract the plan of what remains in proportion to the objects it is to comprehend.

Public credit we have defined to be, the confidence repoſed in a ſtate, or body politic, borrowing money, on condition that the capital ſhall not be demandable, but that a certain proportional part of the ſum ſhall be annually paid, either in lieu of intereſt, or in extinction of part of the capital; for the ſecurity of which payment, a permanent annual fund is appropriated, with a liberty, however, to the ſtate to free itſelf, by repaying the whole, when nothing to the contrary is ſtipulated.

In this definition I have put in an alternative, of paying a perpetual intereſt for the money borrowed,

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or of paying annually a ſum exceeding the intereſt; which exceſs is intended to extinguiſh the capital in a certain number of years. In both caſes, the annual payment is called an annuity. When it is exactly equal to the intereſt agreed on, it is called *perpetual*; and *determinate*, when it is granted either for life, or for a certain number of years.

The ſolidity of this ſecurity is eſſential to the borrowing upon the cheapeſt terms: let me ſuppoſe it to be as ſolid as land-property, and as permanent as government itſelf: what will the conſequence be?

If we ſuppoſe government to go on increaſing, every year, the ſum of their debts upon *perpetual* annuities, and appropriating, in proportion, every branch of revenue for the payment of them; the conſequence will be, in the firſt place, to tranſfer, in favour of the creditors, the whole income of the ſtate, of which government will retain the adminiſtration. The farther conſequences of this revolution will furniſh matter for a chapter by itſelf.

If the borrowings of a ſtate be in proportion only to the extinction of the old capitals, or of what I have called *determinate* annuities, then the debts will not increaſe.

When a ſtateſman, therefore, eſtabliſhes a ſyſtem of public credit, the firſt object which ſhould fix his attention is to calculate how far the conſtitution of the ſtate, and its internal circumſtances, render it expedient to throw the revenue of it into the hands of a moneyed intereſt. I ſay, this is the moſt important object of his deliberation; becauſe the ſolidity of his credit depends upon it.

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If, all the intereſts of the ſtate duly conſidered, that of trade be found to predominate; leſs inconvenience will be found in allowing the moneyed intereſt to ſwell: but in monarchies, where the landed intereſt is commonly, and ought to be the moſt powerful, it would be dangerous to erect ſo formidable a rival to it. In political bodies every ſeparate intereſt will conſult its own; and in the conteſt between thoſe who will be made to pay, and thoſe who are to receive the taxes, under the denomination of creditors, the ſecurity of public credit will become precarious.

From this we may conclude, Firſt, That in governments where the ſwelling of a moneyed intereſt is found to threaten the tranquillity of the ſtate, care ſhould be taken either to eſtabliſh a ſinking fund, for paying off, in times of peace, what may have been borrowed in times of war, or the plan of borrowing upon *determinate* annuities muſt be eſtabliſhed.

Secondly, If natural cauſes be left to work their own effects, without a ſyſtematical plan of borrowing, the conſequence will be a bankruptcy, and a total failure of public credit, at leaſt for ſome time.

Thirdly, If a ſtate ſhould find the maſs of their debts to amount to ſo great a ſum as to be inſupportable, they might have recourſe to a total, or partial abolition of them by an act of power.

Fourthly, If they allow their debts to ſwell without limitation, and adhere to the faith of their engagements, the whole property of the ſtate will be in conſtant circulation, from one claſs of men to another.

Fifthly,

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CHAP. I.

Fifthly, If the debts contracted be the property of foreigners, theſe will either remove into the country, where their funds ariſe, or the property, that is, the *dominium utile* of the country, will be transferred from the natives.

Theſe and many other combinations will ariſe from the extenſion of public credit; and an examination into the moſt natural conſequences upon every ſuppoſition, will be the beſt way to acquire a diſtinct idea of the ſubject in general. To pretend to foretell any one certain chain of conſequences, which may, in fact, reſult from any particular caſe, is, I apprehend, impoſſible; becauſe every one of them will depend upon circumſtances totally unknown. Theſe conſequences, in our way of examining matters of this kind, are all to be founded upon ſuppoſition. To ſupply therefore, in ſome meaſure, this defect, I ſhall firſt have recourſe to examples of what has happened in the hitherto infant ſtate of public credit; and as to caſes which have not as yet taken place, we muſt have recourſe to ingenuity, and endeavour to form the moſt rational combinations we can.

CHAP. II.

Of the riſe and Progreſs of Public Credit.

CHAP. II.

WHILE the policy of States directed them to form treaſures, there was no occaſion for public credit. This policy prevailed until the riſe of the Roman empire. Then all the treaſures of

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BOOK IV.

the world were plundered, and the nations were inſlaved. On this revolution, the exigencies of that great empire were ſupplied from the annual tributes paid by conquered nations. Under good reigns, this annual ſupply ſwelled the public treaſure, until a prodigal Emperor ſquandered it away; and took to rapine and extortion, to fill up the void.

Upon the total diſſolution of the Roman empire, Europe was overrun by barbarous nations, who, with as little induſtry as ever, ſupported their power by the military ſervices of the whole people.

After the eſtabliſhment of the feudal kingdoms under the chiefs who firſt laid the foundation of them, aroſe the Barons, or principal vaſſals, who, in imitation of their chief, erected ſmall principalities, which by degrees grew independent.

This diſtribution of power into many hands had the effect of deſtroying all ſyſtematic plans of government. Princes were obliged to act according to the perpetual fluctuation of circumſtances; until, by a revolution in their favour, the power of the vaſſals was ſwallowed up, and confined within the limits of a more regular authority.

In proportion as this revolution took place among the nations of Europe, the ſyſtem of their government reſumed a more permanent form. Juſtice was adminiſtered with more uniformity; and from this inſenſibly aroſe a body of laws, which, in ſome countries, were called cuſtoms: in others, as in England, common law. Wars then became leſs frequent; and the military ſervices not being neceſſary on all occaſions, inſenſibly became converted into

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into taxes, proportioned to the exigencies of the time.

During this period, the coin and precious metals of Europe were in a great meaſure, lodged, in private coffers. If wars brought them forth for a ſhort time, they ſoon found their way back again. Princes were generally poor; becauſe they were generally extravagant, and ſpent money as faſt as they got it. In proportion as induſtry and alienation increaſed, the coin came abroad; the inhabitants became eaſy in their circumſtances; the ſtate flouriſhed, and acquired reputation. The riches and power of a ſtate began then to be eſtimated, as they ought to be, not by their treaſures locked up, but by what was found in circulation; that is, by their induſtry. Venice, Genoa, and the Hanſtowns, ſet the example. The Jews, baniſhed from France, on account of their extortions in the time of the holy wars, fled, as it is ſaid, into Lombardy, and there invented the uſe of bills of exchange, for drawing their riches from thoſe countries to which they durſt not reſort in order to bring them off. Intereſt for money began to be conſidered as lawful in many caſes: merchants were protected by Princes, for the ſake of the conſequences of trade and induſtry: and from ſuch ſmall beginnings has this mighty engine of public credit ſprung.

While Princes mortgaged their lands and principalities, in order to obtain a ſum of money, they acted upon the principles of private credit. This was the caſe in the more early times, before government acquired that ſolidity which is neceſſary to eſtabliſh a firm confidence. In proportion as it

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drew toward a regular ſyſtem, the dawn of credit put on appearances analogous to the ſolidity of the fund upon which it was eſtabliſhed.

The ſecond ſtep was to raiſe money upon a branch of taxes aſſigned to the lender, for the reimburſement of his capital and intereſt. We ſhall ſhew the conſequences of this plan of credit from ſome examples, which will fully point out all its inconveniences.

This plan of adminiſtration was attended with ſo much abuſe, and ſo much oppreſſion, that ſtateſmen began to deſpair of carrying on public affairs by ſuch expedients; and therefore concluded that the only way to obtain money at the leaſt expence, was to raiſe it on the ſubject within the year, or upon what they called ſhort funds.

At length public credit aſſumed its preſent form. Money was borrowed upon *determinate* or *perpetual* annuities: a fund was provided for this purpoſe: and the refunding of the capital was, in many caſes, left in the option of government, but never in the option of the creditor.

This is a ſhort view of the progreſs of public credit. The principles upon which it is built are ſo few, that were I to confine myſelf to a bare deduction of them, little new or intereſting could be ſaid. I ſhall therefore ſteer another courſe: I ſhall collect the ſentiments of ſome eminent politicians, who have either written upon, or acted in the adminiſtration of this branch of government; and by applying principles as we go along, I ſhall be enabled to point out the extraneous circumſtances which are ſo apt to involve this ſubject in obſcurity. Had

we

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we not before our eyes the numberleſs examples of this kind, it would hardly be poſſible to conceive how ſo great confuſion, and ſo many calamities, could have followed upon the operations of public credit. CHAP. II

CHAP. III.

Of Anticipations, or borrowing Money upon Aſſignments to Taxes for the Diſcharge of Principal and Intereſt; and of the Sentiments of Dr. Davenant on this Subject.

I HAVE already obſerved, that by the ceſſation of the conſtant wars, in which all Europe was engaged during the feudal government of the barons, nations began to enjoy ſome ſort of tranquillity. Upon this the military ſervices became inſenſibly converted into taxes: and as Princes extended their juriſdictions over the cities, which had been formerly more immediately under the protection of the biſhops who reſided in them, taxes were augmented. Theſe impoſitions were very inconſiderable, with reſpect to what they brought into the King's coffers. The policy in raiſing them was bad; the frauds in collecting them were great. CHAP. III.

Theſe conſiderations engaged Princes to begin by contracting debts, with a view, afterwards to pay them by temporary aſſignments to the taxes impoſed.

From this again enſued the moſt terrible extortions on the ſide of the tax-gatherers, ſo often complained of by thoſe who have written concerning the

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the affairs of France, as we ſhall ſee in the following chapter.

Philip *le bel*, King of France, was the firſt who, in 1301, admitted, with great policy, the inhabitants of cities to have a ſeat in the ſtates of the kingdom. He formed them into a diſtinct body, and called them *tiers etat*, or the third ſtate, after the clergy and the nobility. His view was to facilitate thereby the juriſdiction he wanted to eſtabliſh over thoſe cities, and to engage them to conſent to the impoſition of taxes for carrying on his wars in Flanders, and for oppoſing the ambitious views of Boniface VIII. Accordingly, the people began to pay willingly, when once they found that they had a vote in what concerned them.

I take it for granted, that every tax, about that time, was impoſed for a particular purpoſe, and aſſigned either to creditors, or to people who advanced money upon it: becauſe we are told that the firſt impoſition granted by the ſtates to a King of France as a permanent branch of revenue, was an exciſe upon ſpirituous liquors granted to Philip de Valois, in the year 1345; at which time, however, according to Mr. d'Eon's *Memoires pour ſervir à l'Hiſtoire generale des Finances*, there were not leſs than twenty two different taxes known in France, which he enumerates as follows:

Tailles, complaintes, charges, redevances, coutumes, peages, travers, paſſages, centiemes, cinquantiemes, ôtes, chevauchées, ſubventions, exactions, chevaleries, aides, mariages, toultes, impoſitions, priſons, ſervitudes, and *nouvellettes*.

That

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That all theſe impoſitions muſt have been mere trifles, I gather from a circumſtance in the Political Hiſtory of France, mentioned by the author juſt cited, which being itſelf exceedingly curious and tending greatly to confirm many things which I have advanced concerning the ſmall circulation in former times, I ſhall here briefly relate it.

In 1356, John, King of France, applied to the States for 50,000 livres, about 9165*l.* ſterling, to pay his army. The States, beſides ſeveral other taxes impoſed to pay this ſum, granted him 8 deniers on the livre, or 3⅓ *per cent.* upon all meat, drink, and merchandiſe, ſold in France within the year; that is to ſay, upon the whole alienations of France. The tax was levied, but fell far ſhort of the ſum required, and the deficiency was made up by a poll-tax.

Can any example be better calculated for forming a notion of the circulation of France at that time?

It may be here alleged that the prices of every thing were then ſo very low, that no judgment can be formed concerning the *quantity* of alienation from the ſmallneſs of the ſum. This objection is of no force, as I ſhall preſently ſhew.

We know from the records of the ſelling price of grain in France, which was then remarkably cheap in proportion to the years which followed and which had preceded, that in 1356, the ſeptier of wheat, or nearly 4 Wincheſter buſhels, ſold for 17 ſols 8 deniers of the then currency, which was 12 livres to the marc fine ſilver, and a French ſoldier's allowance for bread to this day, is 3 ſeptiers, or nearly 12 Wincheſter

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BOOK IV.

Wincheſter buſhels a year. Now let me ſuppoſe, that the whole 50,000 livres had been raiſed by this impoſition of $3\frac{1}{3}$ *per cent.* or $\frac{1}{30}$ of the total value of the ſingle article of corn ſold at market, which was far from being the caſe, and then compare this with the number of men who could have been ſubſiſted with all the corn ſold in France at that time.

If $\frac{1}{30}$ of the price were the tax, then by multiplying 50,000 livres by 30, we have the value of the corn ſold; to wit, 1 500 000 livres: divide this ſum by the value of what a man conſumes in a year, to wit, 3 ſeptiers at 17 ſols 8 deniers, which make 2 livres 13 ſols, and the quotient will be the number of portions for a man, to wit, 566 037. Since, therefore, the 50,000 livres could not be raiſed in conſequence of the tax, it follows, that the whole alienation of France, at that time, fell far below the value of as much wheat as would have fed 566 037 men.

What a poor idea does this communicate of the ſtate of Europe ſo lately as 400 years ago! It would be in vain to ſeek for examples to illuſtrate any principle of our complicated modern œconomy in the hiſtories of thoſe times: their taxes, their credit, and their debts, reſembled ours in nothing but the name.

I ſhall now come nearer home, and give an account of the ideas of public credit formed by Devenant, who flouriſhed about the time of the revolution in 1688, which I may take to be the æra of public credit in England.

No perſon at that time, whoſe writings I have ſeen, appears to have ſo thoroughly underſtood theſe matters

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matters as Davenant. He was a man of theory, as well as knowledge of facts: he had an opportunity which few people have, to be well inſtructed in the one and the other; and he turned his talents to the beſt advantage for promoting the intereſt of his country. He has written many tracts on political ſubjects, which, when carefully read and compared with what experience has ſince taught us, caſt great light upon many queſtions relative to the ſubject of this inquiry.

Davenant, like other great men of his time, was of opinion that borrowing money upon what he calls ſhort funds, was much preferable to that upon perpetual intereſt; and he thought the moſt adviſeable plan of all, could it be accompliſhed, was to raiſe the money wanted within the year.

Men, at that time, had a terror upon them in contracting debts for the public: they conſidered the nation as they would a private man, whoſe intereſt is one, uncompounded, and relative to himſelf alone: in this light, creditors appeared as formidable as enemies; they were looked upon by miniſters as ſuch; and this general opinion on one ſide, contributed, no doubt, to make the monied people leſs intereſted in the diſtreſs of government, and more ready to lay hold of every opportunity of improving ſuch occaſions, for their own advantage.

Government was in conſtant war with creditors: when ready money failed in England, it had nothing to pay with but exchequer tallies, upon the taxes impoſed; theſe were much more eaſily iſſued than acquitted. When the firſt year's amount of a tax was

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BOOK IV.

was engaged, people conſidered the ſecurity for what was to follow as very precarious; conſequently, the value of it diminiſhed.

This method, however, ſucceeded far better in paying off debts already contracted, than in contracting new ones; and the hardſhips put upon thoſe who had already advanced money to government, and who were paid by aſſignments upon taxes previouſly engaged, made people very diffident afterwards, except upon proper ſecurity. The limited form of the Engliſh government, prevented the violent proceedings of miniſters, with reſpect to the public creditors, which were common in France; and this circumſtance contributed, no doubt, to eſtabliſh the credit of the former upon the better footing. But ſtill the long expectation of payment for the capital and intereſt, upon a diſtant fund, made Davenant acknowledge that 700,000*l.* in ready money, would at any time go farther than a million in tallies; and yet he thought it was better for the ſtate to borrow the million upon a plan of diſcharging the debt in three or four years, than to obtain the 700,000*l.* at the expence of a perpetual intereſt of 8 *per cent.*

There were many more conſiderations which moved Davenant to prefer what he calls ſhort funds to perpetual intereſt.

It was the general opinion in his time (not his own indeed, for he endeavoured to ſhew the fallacy of it) that money borrowed upon the anticipation of a fund, *raiſed and appropriated for the diſcharge of it*, was not a debt upon the ſtate; becauſe it did not dimi-

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diminiſh the former revenue. We have a remarkable inſtance of the prevalence of this opinion, in the famous memorial preſented by M. Deſmaretz to Philip Duke of Orleans, after the death of the late King of France; wherein he advances, that during ſeven campaigns, from 1708 to the peace of Raſtad, while he had been at the head of the King's finances, he had not increaſed the public debts by more than nine millions of livres capital: and yet when he came into the adminiſtration, in 1708, the King's debts did not amount to 700 millions; and we have ſeen, that at the time of his death, they were upwards of 2000 millions. But Deſmaretz did not reckon the difference, which was no leſs than 1300 millions as any debt at all; becauſe he had ſettled it upon funds of his own creation. This was ſo much the language of the times, that no criticiſm was made upon it.

It is remarkable, that Davenant, in giving an account of the debts of England, during the period of which he writes, that is, from the revolution down to the peace of Ryſwick, hardly ever takes notice of the ſums paid for intereſt upon them. The minds of men at that time were totally taken up with the payment of capitals; and provided theſe could be diſcharged in a few years, it was no matter, they thought, what they coſt in the mean time.

As long as nations at war obſerve the ſame policy in their methods of raiſing money, the ways in which they proceed are of the leſs importance: but when any one ſtate makes an alteration, by which more money is thrown into their hands than they could formerly obtain; this circumſtance obliges every other

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other ſtate to adopt the ſame method. Thus while Princes made war with the amount of their treaſures and annual income, the balance of their power depended on the balance of ſuch reſources: when they anticipated their income on both ſides, for a few years, the balance was in proportion ſtill: when, afterwards, they adopted long funds and perpetual intereſt, the ſupplies increaſed; but ſtill the balance was determined as formerly.

The uſefulneſs, therefore, of an inquiry into the principles of public credit, has not ſo much for its object to diſcover the intereſt of ſtates in adopting one mode of credit preferably to another, as to diſcover the conſequences of every one in particular; and to point out the methods for making them ſeverally turn out to the beſt account not only for the ſtate, conſidered as a body politic by itſelf, but alſo for the individuals which compoſe it.

When ſo many different relations are taken in, the ſubject becomes much more complex, and therefore the conſequences *which can be gueſſed only at* muſt be leſs determinate: but on the other hand, it opens the mind, and ſuggeſts many hints which with time may be improved for the good of ſociety.

People who barely relate political facts, afford only an exercíſe to the memory: thoſe who deduce principles, and trace a chain of reaſoning from them, give exercíſe to the underſtanding; and as a ſmall ſpark may raiſe a mighty flame, ſo a hint thrown out by a ſlender genius may ſet all the great men of a nation on a plan of general reformation and improvement.

Let us now take a view of the ſtate of public credit in

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in England, at the peace of Ryſwick; in order to ſhew how Davenant came to be ſo great an enemy to long funds, and more eſpecially to perpetual intereſt. We ſhall at the ſame time point out from what cauſes proceeds the great change of ſentiments at preſent.

At the peace of Ryſwick, the debts of England, according to Davenant, in his fifth diſcourſe upon the public revenues and trade of England, ſtood at 17 552 544*l.* ſterling; call it 17 millions and a half, as we have no occaſion to calculate with exactneſs.

Of this debt the capital of 3½ millions was ſunk, as he calls it; becauſe 1 300 000*l.* was on lives at 14 *per cent.* and what was over to make up the 3½ millions, was intended to remain a perpetual burthen on the nation.

For paying the intereſt of this ſum, no leſs than 400 000*l.* a year was neceſſary, which makes on the whole above 11 *per cent.*

But then it muſt be obſerved, that more than one third of the ſum was upon lives at 14 *per cent.*: the debt due to the bank, of which we have ſpoken in another place, was 1 200 000*l.* for which was paid 100 000*l.* a year, including 4000*l.* allowed for the charge of management: the remaining million was upon lottery tickets, bearing about 8 *per cent.* the price at which the bank had lent.

The ſecond branch of debts was near 11 millions, which, he ſays, were in courſe of payment; becauſe they were ſecured upon branches of revenue engaged for diſcharging them. A part of this claſs of debts was to be extinguiſhed in the year 1700: and whenever this was done, then a proportion of the

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appropriated taxes, amounting yearly to above a million ſterling, was immediately to be taken off.

The third claſs of debts were thoſe not provided for at all; which in the place referred to, he makes to amount to no more than 3 200 000*l.* but he afterwards finds his miſtake, and that they in fact amounted to above 5 millions and a half, which makes the debts of England at the peace of Ryſwick, to have been near 20 millions.

Was it then any wonder, that a man who wiſhed well to his country, ſhould prefer borrowing upon ſhort funds at any expence whatever in the mean time, rather than at perpetual intereſt, when he found that parliaments could not be prevailed upon to allow any tax to ſubſiſt one inſtant after the diſcharge of the debts for the payment of which it had been appropriated?

Beſides, there was very little to be gained by borrowing upon long funds and perpetual intereſt, as long as the lenders conſidered their advantage to conſiſt principally in getting their capitals refunded.

The plain matter of fact was, that trade at that time was only beginning to take root in England, and demanded funds to carry it on. The uſe of banks for turning property into money, had not then been diſcovered. Circulation, conſequently, was confined to the coin; and profits on trade were very great. All theſe circumſtances rendered capitals of eſſential uſe; and the conſequence was, to raiſe intereſt to an exceſſive height.

Compare this ſituation with the preſent. Were the capital of 140 millions ſterling thrown by Great Britain, in a few years, into the hands of the pre-

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ſent creditors; were France, on the other hand, to throw in as much, what trade could abſorb it? Capitals now are of value, in proportion only to the intereſt they bring; and ſo long as the intereſt paid on public debts is ſufficient to keep circulation full, and no more, intereſt will ſtand as it is: when this ceaſes to be the caſe, as in time of war, we ſee intereſt begins to riſe; and when, on the other hand, the intereſt paid, proves more than ſufficient for the uſes of circulation, as upon a return of peace, then, from the ſame principles, intereſt muſt diminiſh.

Davenant, like an able politician, who had the ſtate of facts before him, reaſoned according to actual circumſtances. Whatever was borrowed on long funds, was charged on the ſtanding revenue of the ſtate, which parliament was very unwilling to increaſe in proportion to the charges laid upon it. This, of itſelf, was argument ſufficient with him to caſt his view upon ſhort appropriations, or upon his favourite object, of raiſing money within the year, to ſupply the exigencies of the ſtate.

But in this operation he found great difficulties. In his treatiſe of ways and means, article *exciſes*, where he is ſearching for expedients to provide money for the war, he plainly ſhews a thorough knowledge of this impoſition. It had taken place in England as far back as the great civil war, and formed at the revolution about $\frac{1}{3}$ of all the revenue: but what is very extraordinary, and which at preſent will hardly be credited, the exciſe had at that time the effect of ſinking the price of the ſubject exciſed, inſtead of raiſing the price of what was produced from it. Thus the exciſe upon malt, after

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after the revolution, had the effect of lowering the price of barley, inſtead of raiſing the price of beer.

This effect of exciſes Davenant ſaw; from which he, and ſince him many more have concluded, that all exciſes fall ultimately upon the land.

This circumſtance, together with a feeling for the intereſt of the great number of *idle* poor at that time, who muſt conſtantly ſuffer by exciſes, engaged Davenant to propoſe having recourſe to the land-property and poll-taxes, for raiſing, within the year, the ſums required for carrying on the war.

According to his propoſal, there was to be no leſs than 3 millions raiſed by a land tax, beſides half a million by a quarterly poll, which made together, above 100,000*l.* more than all the permanent taxes of England put together.

A propoſal of this kind coming from Davenant, ſhews the difference of ſituation between thoſe times and the preſent. On this ſubject more is to be learned by comparing facts, than by all the reaſoning in the world.

We have ſeen how credit ſtood in England during the reign of William III. It was then in its infancy, and was ſet upon the principles of a free and limited authority, exerciſed by miniſters of ſtate, at all times reſponſible to parliament at the riſk of their heads, in caſe of any open violation of the public faith. This is the beſt of all ſecurities againſt the bad exerciſe of power.

Whoever reads the admirable writings of Davenant, and compares his ideas with what experience has ſince taught us, concerning the nature of taxes and

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and public credit, will plainly diſcover that the great diſtreſs of England at that time, proceeded from the following cauſes.

The war they were engaged in, was far beyond their power to ſupport, although they had the greateſt part of Europe to aſſiſt them.

The bravery of the Britiſh nation was ill ſupported with money, the ſinews of war.

The coin ſoon after the revolution fell into the greateſt diſorder, which ſent it away; no expedient was found to ſupply its place for the uſes of domeſtic circulation; and, conſequently, the fixed revenue could not be paid, nor induſtry carried on.

The people were unaccuſtomed to taxes, tunnage and poundage, the branch with which they were beſt acquainted, and which they bore with the leaſt murmuring, becauſe it was little felt by individuals, together with the exciſe upon beer and ale, the hearth money, the poſt-houſe, and wine-licences, compoſed the whole of the permanent revenue of the ſtate, and amounted to about one million and a half ſterling: beſides which, the parliament had granted new cuſtoms (all to ceaſe before 1690) to the amount of about half a million more, upon wines, tobacco, ſugar, and French linnen. This was the ſtate of the revenue at the revolution.

One would imagine that England, under ſo ſmall a burthen, might have been able to make the greateſt efforts.

Were we now to grapple with France, under ſuch circumſtances, what ſanguine hopes ſhould we not form of ſucceſs! The caſe turned out widely different: the firſt benefit the nation expected in

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consequence of their liberty restored, was an abolition of the hearth money; a tax which raised over the whole kingdom, 245,000*l.* This was considered as an insupportable burthen.

Such sentiments and dispositions in the English nation, might have been a sufficient indication of what was to be expected from the war; the consequences of which had, before 1695, produced the following changes in the revenue.

The tunnage and poundage, which at the revolution produced 600,000*l.* was by this time reduced to 286,687*l.*

The excise upon beer and ale, from 666,383*l.* was reduced to 391,275*l.*

The hearth money was abolished.

The post-house, from 65,000*l.* was reduced to 63,517*l.*

The wine-licences, from 10,000*l.* to 5000*l.*

The temporary customs which subsisted at the revolution, were now expired, and had been either continued by new grants, or by others of the same nature introduced in their stead. The former had produced 415,472*l.* the new produced 373,839*l.*

The last and most important grant of all, was an additional excise upon beer and ale, which produced 450,000*l.*

The revenue at the revolution produced, clear of all charges, 2 001 855*l.* sterling. A revenue established at pretty much the same rate, and nearly on the same objects, with an addition of a new excise, which produced 450,000*l.* produced net in 1694, no more than 1 570 318*l.* so that, deducting the new excise, the old revenue was diminished in its produce,

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produce, no leſs than 1 081 527*l.* or above one half, in five years time.

In a country like England, at that time, taxes were of little uſe to the ſtate, and were an exceſſive burthen on the people.

What could they be paid out of? Not out of the value in the hands of the people; becauſe there was no way provided for turning this value into money. The whole of the money coined before the end of the war in 1697, did not amount to 8½ millions. It was not to be expected that during the war, foreign coin was to come in, except in conſequence of borrowing; and we may be very certain, that all that was borrowed, and a great part of what had been coined at home, had gone out from the year 1695 to 1697. Under theſe circumſtances, the exchequer iſſued tallies of wood, a notable expedient for facilitating circulation! And the bank of England lent not one farthing upon mortgage: all that was poſſible to be raiſed on the land and on the people, by pound-rate, aſſeſſment, and poll-tax, was impoſed.

Now let us recall our principles concerning circulation, alienation, and banking upon mortgage, and combine theſe with what we have ſo frequently repeated, and I think demonſtrated, viz. that in proportion to the extent of alienation, and the demands for money, a circulating equivalent ſhould be provided, ſo as to be ready at the hand of every perſon who has property to pledge for it; and then decide whether it was any wonder that credit in England ſhould have been at ſo low an ebb at the peace of Ryſwick; that taxes ſhould have diminiſhed

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in their produce; that intereſt ſhould have riſen to ſuch an extravagant height; that the people ſhould have groaned under a load from which they could not relieve themſelves.

Under ſuch circumſtances, England appears to me in the light of a dumb man put to the torture in order to extort a confeſſion.

Were eight or nine millions ſterling in coin, and a few wooden ſticks, the tallies, conſtantly ſold at a great diſcount, a circulating value ſufficient to ſupply the exigencies of a ſtate which was ſpending annually at the rate of five or ſix millions?

The conſequence of this total drain of money, was, that people could neither conſume exciſeable commodities, or pay the taxes laid upon their perſons and ſolid property.

The exciſes failed, becauſe the body of the people, who paid them, were interrupted in their induſtry, for want of money to carry on alienation. Thoſe who were liable to the arbitrary impoſitions, ſuch as the landlords, could not pay; becauſe what they had, their land, could not be given in payment.

From what I have here laid together, we may determine, that as alienations among individuals cannot exceed the proportion of the circulating equivalent of a country, ſo a ſtateſman when he intends *ſuddenly* to augment the taxes of his people, without interrupting their induſtry, which then becomes ſtill more neceſſary than ever, ſhould augment the circulating equivalent in proportion to the additional demand for it.

This, according to my notions, cannot be ſo well compaſſed as, 1. by eſtabliſhing banks of circulation

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culation upon mortgage: 2. by relieving thoſe companies of the load of paying foreign balances by giving bills at par, or at a ſmall exchange: and 3. by providing funds abroad for the payment of them, according to the principles above deduced. CHAP. III.

Such expedients will work their effect, in a nation where the public faith ſtands upon the ſolid ſecurity of an honeſt parliament, and upon that reſponſibility which is fixed upon thoſe who are truſted with the exertions of the royal authority.

I think I may illuſtrate this operation by a ſimile.

A gentleman chooſes to form a caſcade of the water which ſerves to turn his corn-mill; conſequently, the mill ſtops; but in its ſtead, he immediately erects another which turns with the wind. Coin is the water, bank paper is the wind, and both are equally well calculated for the uſe they are put to.

CHAP. IV.

Of the State of public Credit in France before the reign of Louis XIV. *and of the Sentiment of the great Richlieu upon that Subject.*

HAVING laid before my reader the ſentiments of Davenant on the ſubject of public credit, which were analogous to the ſtate of England in his time, it may be inſtructive to compare them with thoſe of another very great man, in a rival nation; I mean the cardinal de Richlieu. CHAP. IV.

The conſtitution of Great Britain at preſent, is pretty much what it was in Davenant's time: and that

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that of France does not differ widely from what it was at the death of Louis XIII.

Britain and France are two nations, rivals in every thing worthy of emulation, and ſimilar in thoſe diſtreſſes which are the inſeparable concomitants of modern ambition, debts and taxes.

As long as the conſtitution of the two governments ſhall ſtand as at preſent, Britain will conſtantly have the advantage in borrowing money: France will have it in paying off her debts. It is this contraſt which engages me to enter into the following detail. I conſider it not only as a piece of hiſtorical curioſity, but as a ſubject of profound reflection, from which much inſtruction may be gathered.

The fate of kingly power was decided, both in Britain and in France, much about the ſame time. In France, it was ſupported by Cardinal de Richlieu; in Britain, it was broken to pieces under Charles I.

Before that time there was no fixed form of government eſtabliſhed in either country; nor can ever a regular conſtitution take place any where, until the mechaniſm of a ſtate become ſo complex as to render changes extremely difficult. This is becoming the caſe more and more every day: and upon this and nothing elſe will depend the ſtability of our preſent forms.

Let us now take a view of the ſentiments of a great miniſter, delivered in writing by himſelf, in his political teſtament; the authenticity of which would never have been called in queſtion, had the matter it contains been properly attended to, and well underſtood.

It

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It is in the 7th paragraph of the 9th chapter of the teſtament, where the Cardinal ſhews his ability in paying off the debts of France: and in going through the ſubject, he caſually has thrown out in other parts of his work ſeveral things, which enable us to form a judgment of the ſtate of taxes, and of the effects they were found to produce in his time.

"It is pedantry," ſays he "to maintain that a "prince has no right to draw money from his ſub-"jects, and that he ought to content himſelf with "the poſſeſſion of their hearts. None, however, "but flatterers, the peſt of ſociety, can maintain, "that he may draw from them, juſtly, whatever he "thinks fit; and that his right extends, in this "particular, as far as his will."

The taxes of France at this time had been augmented far beyond their due proportion; and this had produced many ſtrange and contradictory phænomena; which, as we ſhall now ſee, miſled the Cardinal in many reſpects; becauſe his experience was not ſufficient to enable him to diſcover the cauſes of them.

"The augmentation of impoſitions on the peo-"ple," ſays he, "does the King *as much* hurt by "raiſing prices, as to compenſate all he can gain." If we ſuppoſe that the exchequer gained by the augmentation; that is to ſay, that the tax, when increaſed, really brought in more than before, and raiſed prices proportionally; then the King could loſe his proportional part only, but never the whole augmentation. If the tax, by being augmented, produced leſs than before, which was often the caſe, then he muſt have loſt by a diminution upon his income,

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come, not by the rise of prices. But this last was not the case; because deficiencies of this kind never fall upon the King, but upon the farmers of the tax.

The true reason was, that the King paid most of his expences by assignments upon the taxes; and then, no doubt, the higher they were raised, and the more difficult they were to recover, the dearer every undertaking would cost the King.

This reasoning upon the effect of taxes shews, that at that time the doctrine of them was not well understood. No wonder: theory is not sufficient to lay open political consequences, even to the greatest genius. All our information as to these matters arises from experience, and all our instruction from our attention and reflection.

As a proof of this, he mentions, almost in the same place, an effect of the increase of taxes, which is quite contrary to the former.

"Consumption," says he, "diminishes, as taxes augment."

This is a contingent, but not a necessary consequence, as we have seen, and must have the effect of lowering prices.

I mention these particulars, to shew only how little this great man had studied the principles of taxation, or understood the causes of those phænomena which he saw arising from them.

Such contrary effects could not fail to be felt, when taxes were raised in the manner usual at that time, and when no method was contrived for augmenting the currency.

In Richlieu's time the custom was to treat with the *partisans*, as they were called, or undertakers for

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for the farm of taxes; and for a ſum of money, valued at a certain intereſt, to give them a right to levy certain impoſitions on the people, eſteemed equivalent to the money, and to the rate agreed upon; ſome in one province, ſome in another, as parties could agree. Then the partiſans fell to work with the people, and committed the moſt horrid extortions. In the 4th §. of his fourth chapter, he ſays, "The abuſe is carried ſuch a length, as to be "quite inſupportable, and muſt end in the ruin of "the ſtate; the people are plundered, not taxed; "fortunes are made by rapine, not induſtry: uſing "the partiſans like ſpunges is very juſt; but liable, "on the other hand, to great abuſe, when not con-"ducted with moderation and juſtice." This was a very different ſyſtem of taxation from that carried on in England in Davenant's time, and muſt have produced effects very diſſimilar.

But it may be aſked, if in this caſe theſe partiſans in France had found out means of raiſing money, far beyond the King's intention; what prevented the Cardinal from examining into ſuch means, and from uſing them in a gentle and equitable manner, to the extent only of ſatisfying the creditors for the money lent by them?

In thoſe days ſeveral difficulties occured, which rendered this expedient impracticable.

Firſt, The partiſans would lend in no other way; they would have nothing to do with the King as a debtor: his credit was not well eſtabliſhed; and by having the direct adminiſtration of the tax, they conſidered themſelves as more ſecure.

Secondly, Had the King levied the money on the

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people, and been paymaſter to the creditors himſelf, there would have been no gains for the partiſans but what were ſtipulated: had they exacted more than legal intereſt, they expoſed themſelves to the danger of being puniſhed as uſurers; and conſequently they would not lend. So, by delivering up the people to be plundered, the King made a better bargain, he thought, than any other way; and if the partiſans plundered the people, the Cardinal plundered them in his turn.

Thirdly, At this time there were not, as now, merchants of extenſive credit, and fair character, who ſerve as interpoſed perſons for the whole moneyed intereſt of Europe, and who can fill a ſubſcription for millions with a ſingle name.

The partiſans themſelves, as the Cardinal obſerves, had frequently neither money or credit at ſetting out: but by parcelling their undertaking into many hands, they got together what was neceſſary. Thus the ſubaltern aſſociates were in a moment, like locuſts, ſpread over the whole face of the kingdom, and plundering went on in every quarter.

This repreſents a quite different ſyſtem of credit from what we ſee eſtabliſhed, even in France, at preſent; where the tax-gatherers are ſtill loudly complained of, though much more than they deſerve. The mode of raiſing the taxes is now moſt exactly ſpecified by the king; and nothing more can be exacted than according to the plan laid down; but in every caſe ſevere penalties are impoſed upon frauds: theſe when levied, are accounted for to the farmers; but when compounded for under hand, ſink into private men's pockets.

In

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In a country *where taxes are rightly eſtabliſhed*, induſtrious people have no occaſion to indemnify themſelves by fraud for the taxes they pay; they have a more certain method of being refunded. This ſhall be explained in its proper place.

By this method of oppreſſion in the Cardinal's time, a great part of the odium was removed from the King, and caſt upon the partiſans. The people reſembled a dog which bites the ſtick which he has been ſtruck with inſtead of biting him who holds it *.

I have now ſaid enough to point out the method of borrowing money in France at that time, from which the nature of the ſecurity may eaſily be gathered.

The Cardinal, upon the ſuppoſition of an approaching peace, enters into the plan for paying off what had been contracted. He was reſolved to preſerve

* Thus were taxes eſtabliſhed in France, in ſpight of the great averſion of that nation to them. The exigencies of the ſtate were apparent; Princes were conſidered as under an abſolute neceſſity to find money at any rate; they appeared to be in the hands of unrelenting uſurers, who became the execration of the people, to whoſe fury they were ſometimes delivered over, when ſtripped of their wealth: the people were now and then relieved of a part of their burthen; the tax remained under milder management, formed an addition to the King's revenue, and ſerved as a fund for future emergencies.

But the nature of man is ſuch, that the more he grows in wealth, the more the deſire of ſpending it increaſes. Thus the fund provided for unforeſeen emergencies, is inſenſibly incorporated with that which is appropriated for the current ſervice of the ſtate.

Nothing however is more certain than that in time of war, far greater ſums are required than any people can pay, without contracting debts.

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ſerve credit (for even at that time, the conſequence of this great engine was ſufficiently felt by this great man) but he was determined to relieve the people, and to get rid of the debts.

After a long detail concerning all the branches of the revenue, and after ſhewing how they might be improved, he draws out a general ſtate of them, and of the debts affecting them; and then adds, "The total revenue of the kingdom amounts to near 80 millions;" (the ſilver was then at 27 livres 10 ſols the marc fine, which, valued at 2 *l.* 4 *s.* ſterling, makes the 80 millions worth above 6 millions ſterling) "of which there is above 45 millions "engaged for the debts. I will anſwer, that by "good management, this immenſe load of debts, "which ſeems to be the ruin of the King, ſhall turn "out to his eaſe and opulence. Some imagine it "would be a right meaſure to free the ſtate entirely "of her burthen, (a general ſpunge) but as ſhe "cannot, certainly, ſupport all the burthen, ſo nei-"ther does reaſon dictate that ſhe ſhould be entirely "ſet free." No modern ſtateſman could form a better judgment of things. The Cardinal's ideas

Is it not then indiſpenſibly neceſſary, either, firſt, To have a ſum locked up in treaſure? Or, ſecondly, A fund appropriated, to borrow upon in time of war, which may ſerve to pay off the debts in time of peace? Or, thirdly, To borrow upon the ſtipulation of an annual payment, which may, in a certain number of years, acquit both intereſt and principal?

The firſt is the plan of the King of Pruſſia; the ſecond that of England; the third is, in a good meaſure, that of France: Holland borrows no more, and pays as ſhe can what ſhe owes; Spain lives on her income; and Auſtria remained in the old way till very lately, without credit, and conſequently without large debts.

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are juſt and profound; and it is aſtoniſhing how a man uninſtructed by our experience ſhould ſee ſo far into remote conſequences.

He next lays down different ſchemes for paying the debts, upon the return of peace and tranquillity. They are all arbitrary, more or leſs, according to the ſtandard of Engliſh ideas of credit. But if we abſtract from one expedient lately diſcovered, to wit, the diminiſhing the intereſt, and allowing the capitals to remain, I doubt whether any modern ſtateſman could diſcover any other than thoſe which the Cardinal has propoſed.

A preliminary ſtep to all his ſchemes was, *by an act of power*, to reduce the debts which bore a higher intereſt, to that of the 16 penny, or to a little more than 6 *per cent.* This method of reduction has conſtantly been and is ſtill practiſed in France.

Then he propoſes to enter into an account with the creditors for the ſums they had received; and to conſider whatever they had obtained above the legal intereſt, as payments in part of the capital.

This ſcheme however he rejects, upon examination. He ſays it is agreeable to equity; but that it would have the effect of totally deſtroying all credit for the future.

The ſecond expedient was, to reimburſe the creditors the ſums which they really had paid for the annuities aſſigned to them: but this he found to be impoſſible to verify; becauſe they had had the addreſs to ſpecify, in their contracts, ſums far exceeding what they really had paid. For this reaſon he rejects the ſecond expedient alſo; and adopts a third, as the beſt plan of any for paying off the debts.

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This was, to value the capitals at what they then ſold for in the market, before the peace was concluded.

This method appeared to the Cardinal the moſt equitable, at leaſt he ſays ſo, and the only one practicable; but in my opinion it was the moſt arbitrary of the three; the moſt liable to abuſe, and the moſt oppoſite to the principles of public credit, as at preſent eſtabliſhed: and yet it is a thought, which, when conducted with juſtice, may upon ſome occaſions anſwer excellent purpoſes, as I ſhall obſerve in a proper place.

Had he adopted the firſt expedient, of aſcertaining the value of the real advance, there was an appearance of juſtice; becauſe the creditors were thereby repreſented as uſurers; and by repaying them what they had advanced, by the enjoyment of an income above the legal intereſt, he treated them with more indulgence than the laws allow between private perſons.

Could he, according to the ſecond ſcheme, have diſcovered exactly the ſums which had been paid for the annuities given, and offered reimburſements upon this footing, leſs could have been ſaid againſt it; becauſe the mentioning of more in the contract than what had been paid, was a palpable fraud againſt the King.

The third method, which the Cardinal approves of, contains this piece of great injuſtice, that the antient creditors of the ſtate who had paid 12 years purchaſe for their contracts, that is, thoſe who had lent at about 8 *per cent.* might by this ſcheme be paid off with one half of what they originally paid.

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If it be anſwered, that nothing is worth more than what it can bring; I anſwer, that it may be worth more than what it can bring *at a particular time.* During a war, an annuity which had been bought at 12 years purchaſe in time of peace, will fall to five, provided annuities can then be bought at this rate. The new loans conſtantly regulate the value of the old capitals; but upon a return of peace, they will riſe to the original value.

Another injuſtice here was, that a miniſter, by borrowing a ſum at a very high intereſt, at the time he wanted to ſet a value on the old capitals, might ſink their value. And, in the third place, the greateſt injuſtice of all conſiſted in this, that the Cardinal had no thoughts of any real reimburſement, as we ſhall ſee by what follows.

There was, at this time, one claſs of annuities conſtituted at 8 *per cent.* Theſe he propoſed to reduce to 6 *per cent.* as above, by his preliminary operation. Such annuities ſold at that time for five years purchaſe. Theſe, ſays the Cardinal, *we muſt fix at this value;* and by allowing the proprietors to enjoy them for 7 ½ years, the capital and intereſt will be paid off.

Other annuities conſtituted upon the *taille* ſold for ſix years purchaſe, which, by the ſame rule, were to be paid off in 8 ½ years.

The annuities and other debts charged at that time upon the *taille* alone, amounted to 26 millions a year; and by this ſcheme, the whole was to be paid off in 8 ½ years.

Beſides theſe, there were engagements upon other branches of the revenue, which ſold at different

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prices. All were to be ſet upon a proportional footing. The annuities which ſold the deareſt, were at 7 ½ years purchaſe; which were to be paid in 11 ½ years.

Thus, by the Cardinal's ſcheme, the debts of France, which at that time bore of intereſt about 45 millions, were entirely to be paid off, in 12 years, without any new impoſition; and when this was concluded, the lands were to be diſcharged of 26 millions of yearly *taille*, near two millions ſterling, and the King was to have a clear revenue of 53 millions, or about 4 millions of our money, which with the 26 millions taken off the *taille*, make 79 millions; the total amount of the French revenue at that time.

I ſhall now point out the characteriſtic differences between the principles upon which the credit of England and France were eſtabliſhed, at the two periods of which we have been ſpeaking.

Were two ſuch writers as Davenant and Richlieu to be met with in the ſame age, and at a time when England and France were engaged in contracting debts, the contraſt would have been ſtronger; but as it is, it ſuits our purpoſe. The debts contracted in France from 1708, when credit fell, to the end of the war in 1714, were in conſequence of rapine and extortion, as in Richlieu's time: and the operations upon them, after the peace of Utrecht, reſemble thoſe of Richlieu in ſome very material circumſtances. Such as, *firſt*, That all the debts were then, by an act of power, put at 4 *per cent.* without any regard to the original ſtipulations. *Secondly*, That what the Cardinal deſpaired of accompliſhing,

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compliſhing, the Regent undertook, and executed, at a great expence to the King, and with great injuſtice to many individuals.

He eſtabliſhed a commiſſion, called the *viſa*, to inquire into the unfunded debts, which amounted to 600 millions. His intention was, to diſcover the effective ſums which had been paid for the grounds of debt. The moſt favourable claſſes of theſe debts conſiſted in arrears of pay to the army, indemnities for pillage, and the like, conſtituted by notes iſſued from the office called the *extraordinaires des guerres*, which were diminiſhed $\frac{1}{5}$; the ſecond claſs was diminiſhed $\frac{2}{5}$; the third claſs $\frac{3}{5}$; and the laſt of all, namely ſums due to brokers, uſurers, &c. were diminiſhed $\frac{4}{5}$.

But alas! there was not the leaſt ſhadow of juſtice in this operation; becauſe long before the *viſa* was eſtabliſhed, moſt of the grounds of thoſe debts had circulated from hand to hand, under the greateſt diſcredit: ſo that the real ſufferers were by that time beyond the reach of the indemnity offered; and the uſurers and brokers who had bought them up, were really thoſe who made fortunes by them. The Cardinal's plan of paying at the ſelling price, would have proved, *in this particular caſe*, more rational, and more according to equity, than any other: ſo greatly do circumſtances influence our deciſions in all political matters!

By the *viſa*, the 600 millions were reduced to 250 millions, and put at 4 *per cent.* like all the other debts, as has been obſerved in a former chapter. At firſt, no plan was propoſed, for paying off the capitals; but a ſum was appropriated, though very

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ill paid, for discharging the interest. We have discussed sufficiently the famous operations of the Missisippi; by which an attempt was made to throw the whole national debt on the company of the Indies; and we have seen how it misgave.

The distance, therefore, of Richlieu's time, from Davenant's, occasions very little deception in comparing the principles of French and English credit: and when we come to examine the present state of this question, I am afraid we shall find, enough of the old system still remaining, in France, to verify my observation, that the French have the advantage in paying their debts; the English, in contracting them. Where the balance of advantage may lie, will be the subject of more speculation.

The first essential difference I find between the credit of France and that of England, in the two periods we are considering, relates to the *coin*. In the first, the value of *it* had been very well preserved: no considerable alteration had been made upon *it*, from 1602 to 1636, that the Cardinal raised the denomination of the marc of fine silver, from 22 livres to 27 livres 10 sols, as has been said. Whereas from the revolution, until the establishment of the bank in 1695, the *coin* had suffered in England a debasement, from clipping, of near 50 *per cent.* This circumstance, more than any other, affected the credit of England, and increased the expence of King William's war. In Richlieu's time, circulation and trade had made more progress in France than in England at the time Davenant lived. The revenue left by Henry the Fourth was double to that of England at the revolution: and, in general, the income

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income of the Kings of France had far exceeded that of the Kings of England, for many reigns before that of the great Henry. Borrowing alſo, upon a fixed and permanent intereſt, had been known in France ſo far back as Francis the Firſt.

This Prince was the firſt, I find, who contracted a regular debt, at perpetual intereſt, upon the town-houſe of Paris, at about 8 *per cent.* when the legal intereſt in England, under his contemporary Henry the Eighth, was 10 *per cent.*

The predeceſſor of Francis, Louis XII. had of groſs revenue, charged with his debts, which eat up near one half, above 2,500,000 *l.* ſterling. Dutot, Reflez. Pol. Vol. I. p. 204. Francis I. left to his ſucceſſor in 1546, a groſs revenue of 2,685,314 *l.* ſterling, and of nett income 2,287,998 *l.* according to Dutot and M. de Sulli.

Under Henry II. and Francis II. the groſs revenue ſtood at about 2,618,000 *l.* ſterling.

Under Charles the IXth, I have not been able to diſcover any thing which can be relied upon: but his ſucceſſor Henry III. according to Sulli, had, in 1581, a revenue of 3,250,000 *l.* ſterling, and left only about 16 millions of livres of debt, which was no great ſum.

To this Henry IV. ſucceeded; and by the capacity and unwearied application of his great miniſter M. de Sulli, it was raiſed to above ſix millions ſterling, at the beginning of the reign of Louis XIII. This revenue, by his wars and expences, was left greatly incumbered; but ſtill the taxes were eſtabliſhed which brought it in; and ſo early in the reign of his ſucceſſor Louis XIV. as the year 1683, his reve-

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nue extended to no leſs than 9,182,914 *l.* ſterling, according to Dutot. **Reflex.** Pol. Vol. II. p. 256*.

Let any man, acquainted in the leaſt with the hiſtory of England, examine the fixed revenue there, under Henry VII. and VIII. Edward, Mary, and Eliſabeth, and their ſucceſſors, down to the revolution; and they will evidently ſee the great diſproportion of wealth, proceeding from taxes, in the one and the other kingdom.

From theſe facts I conclude, that debts and taxes in France were much more familiarly known in Richlieu's time, than poſſibly they could be in England when Davenant wrote.

Public credit had long grown up in that kingdom, under the hard influence of regal power: whereas in this it had ſprung up lately, under the protection of liberty, and a moſt limited authority.

To this cauſe I aſcribe the difference we find between the principles of Engliſh and French credit; and to an effect ſimilar to the cauſe I aſcribe the gigantic ſteps by which Britain has outſtripped her powerful rival in the eſtabliſhment of her credit, ſince the beginning of this century.

It is folly to prophecy, I know; but I may be allowed to conjecture, that the ſame cauſes which have raiſed the credit of this nation to ſuch an amazing height, will either force the French from their old principles, or they will, ſome time or other, bury her credit in the duſt.

* Theſe ſums are all converted into ſterling, according to the value of the French livre at the different periods here mentioned.

Had

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Had one half of the acts of power been exerted with us, which have been so familiar in France: had half the liberties been taken, in tampering with the claims of creditors; a total bankruptcy would long ere now have been the consequence: but in Britain credit is young; and has been tenderly reared. In France she is old, and has been accustomed for many ages to rougher usage. But example works wonderful effects, especially when nations live together in this great European society; and the advantages of a security to be depended on will every day more and more engage the moneyed interest to prefer this to any violent and precarious profits.

How nicely does Davenant employ political arithmetic, in order to make true estimates of the taxes to be imposed, and appropriated for a term of years, for extinguishing principal and interest. How exactly has the account between the state and the bank been carried on from 1695, to this day? How faithfully have all parliamentary engagements been observed? When, in 1749, a most natural operation was performed, to reduce the interest of the debt of Great Britain, by gentle steps, from 4 to 3 *per cent.* what an outcry did it make? although an alternative was left to the creditors, either to receive an actual reimbursement, or to accept of the new terms. The credit of Great Britain must have appeared to France in the light of a pettish child, educated in the house of a too indulgent parent: her own is not treated with such gentleness; and when our money-jobbers try their hand at Paris, and meet with disappointments from unexpected arrets of council; to prevent the laugh going against them, for trusting

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truſting to the credit of France, they turn it off by a jeſt, and pretend that they were only playing as at the Groom-Porter's, or in Change-Alley.

In a word, what would totally ruin the credit of England, does not equally affect that of France. An act of power there, no doubt, throws a damp upon it for a time; and if that act of power take place at a critical juncture, it may coſt her very dear; as it lately coſt her the continent of North America; which, I think, was ſold for 32 millions, withheld from her creditors, for a ſhort time, in the end of 1759. But this act of power, and many others ſince, have not ruined the credit of France: many truſt her ſtill; thoſe who purchaſe in her funds, at preſent, expect only ſeveral *per cent.* more than common intereſt, as a premium for the inſurance of her good faith, until ſhe recovers her mercantile reputation *.

CHAP. V.

Of the preſent ſtate of public Credit in Great Britain.

CHAP. V.

WE have, in a preceeding chapter, given a general view of the ſtate of public credit in England, at the end of the laſt century. In this, I ſhall briefly run through the moſt remarkable revolutions,

* Money inveſted in the French funds, *anno* 1766, will bring the purchaſer 6 *per cent.* This I conſider as 4 *per cent.* for the intereſt, and 2 *per cent.* premium for the riſk; and were ſhe now to borrow any conſiderable ſums, I ſuppoſe the inſurance would riſe in proportion.

both

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both in ſentiments and events, which have ſucceeded ſince that time.

At the revolution the revenue of England was about two millions ſterling, affected by two debts. The firſt was called the bankers debt, contracted by Charles II. and, by letters patent, charged upon his hereditary exciſe, to the amount of upwards of 1,300,000*l.* This debt was arbitrarily reduced to one half, in the laſt years of King William, and put at 6 *per cent.* perpetual annuity, to commence no ſooner than 1706. The other was a debt of 60,000*l.* due to that Prince's ſervants, neglected to be paid by his ſucceſſor, and diſcharged after the revolution.

At the peace of Ryſwick, the national debt amounted to about 20 millions. The branches of taxes ſubſiſting at the revolution, and continued till then, produced no more than about 800,000*l.*; but by additional taxes laid on in the reign of King William, the whole revenue extended to 3,355,499*l.* of which above one million was to ceaſe before 1700, as has been ſaid. This reduced the revenue, at the beginning of Queen Anne's reign, to nearly what it had been at the revolution: out of which if we deduct the intereſt of the national debt then ſubſiſting, and the expence of the civil liſt, we ſhall diſcover the extent of the funds prepared for engaging in the war with France; and then by comparing the ſtate of the nation at her acceſſion, with what it was at her death, we ſhall form a general notion of the progreſs of credit at that period.

The

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The revenue of England at the acceſſion of Queen Anne may be ſtated at about - - 2 272 000

The debts ſubſiſting on the 31ſt of December 1701, were 6 748 780

Upon which the annual intereſt was - - 566 165
Queen Anne's civil liſt* - 600 000

Which two ſums amounting to - - - - - - 1 166 165

Being deducted from the revenue, there will remain for the current ſervice of the ſtate - - - 1 105 835

What the exact amount of the revenue of England was at the death of the Queen, I cannot juſtly ſay. But as it may be comprehended under the three general branches of cuſtoms, exciſes, and other inland duties, we may form a gueſs at it, though imperfectly, I allow, from the number of articles in each.

At her acceſſion, the cuſtoms comprehended fifteen articles; at her death, they amounted to thirty-ſeven: at her acceſſion, the exciſes comprehended ten articles; at her death, they amounted to twenty-ſeven: at her acceſſion, the other inland duties comprehended eight articles; at her death, they amounted to ſixteen, including the land tax, then become in

* The Queen got from parliament 70c,cool. for her civil liſt; but ſhe immediately ordered 100,cool. to be annually paid to the uſes of the war.

a man-

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a manner perpetual, although laid on from year to year.

At her acceſſion, the public debts amounted (as above) to near ſeven millions, at her death they exceeded fifty millions.

In fourteen years, from the revolution to her acceſſion, the money granted by parliament, partly raiſed on the ſubject, and partly borrowed, or taken credit for, according to the cuſtom of the times, amounted to above fifty-five millions. During the 13 years of Queen Anne, the money granted by parliament raiſed on the ſubject, or borrowed as above, amounted to upwards of 80 millions.

By this general ſketch I do not mean to enter into exact details: facts muſt be ſought for in books which treat of facts; our chief object is to examine the principles upon which the public credit was ſupported, let the exact ſum of money raiſed be what it will.

The expences of the French war firſt engaged the nation to revive thoſe taxes which had been ſuppreſſed; and to impoſe many others for a conſiderable number of years, in proportion to the money borrowed upon them, according to the principles of the former reign.

In 1702, intereſt was ſo low, that government got money at 5 *per cent.* It continued ſo till 1704, when ſome loans began to be made at 6 *per cent.* and at this rate it ſtood during the war.

But in 1706, the exigencies of government were far greater than what all the money to be borrowed, or raiſed on the ſubject, could ſupply. This opened a door to the abuſe of paying the growing deficiencies

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cies upon the taxes with exchequer bills, chargeable on diſtant funds. Theſe fell conſtantly to great diſcount; and the unhappy ſervants of the ſtate, who received them in payment, were obliged to diſpoſe of them to people who could wait for an uſurious reimburſement by parliament.

When theſe exchequer bills had once got into the hands of the monied people, they had intereſt with government to engage the bank to circulate them at 6 *per cent.* intereſt: but as the funds upon which they were ſecured happened at that time, 1706, to be engaged for diſcharging debts previouſly contracted, the bank, during that interval, could receive no payment of this intereſt of 6 *per cent.* ſo the expedient fallen upon, was to pay the bank compound intereſt for all the tallies and bills they were to diſcount, until the funds appropriated ſhould be relieved.

This expedient, bad as it was, and burdenſome to the ſtate in the higheſt degree, proved of infinite ſervice, both in eſtabliſhing the credit of exchequer bills, and relieving thoſe who received payment in them.

This operation was quite ſimilar to thoſe of banks of circulation upon mortgage. The bank of England was here employed in converting into money exchequer bills, ſecured upon the faith of government. Banks upon mortgage convert into money the property of individuals, upon private ſecurity. Had, therefore, banks upon mortgage been eſtabliſhed in England at this time, all thoſe who had property would have got credits from them, and would have been enabled thereby to pay their taxes, and carry on their induſtry, without diminiſhing

 their

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their consumption. The exchequer would then have had no occasion to issue discredited bills and tallies for making up deficiencies; because taxes would have been productive, and the state would have been relieved of this excessive burden of interest at 6 *per cent.* accumulated quarterly in favour of the bank.

What extraordinary profit must have accrued to the bank by this operation, every one must perceive. They were not here procuring funds to lend at a great expence; all they did was to augment the quantity of their paper upon government security; which they knew well would remain current in the common circle of payments within the country; and the public borrowings were sufficient to furnish credit for the sums sent out of the country. In this view we may conclude, that almost the whole accumulated interest paid, became a pure profit to the bank, as well as a great augmentation of the national debt.

This operation of the bank in 1706, did not prevent subsequent deficiencies, in the payment of the navy, army, ordnance, and of many other articles. In 1710, they amounted to above nine millions sterling. This was too great a sum to be borrowed; and the bank durst not venture to discount more than what domestic circulation could support: so that after this great debt had circulated upon the discredited obligations which had been issued for it, and in this way had fallen again into the hands of monied people, at 30 and 40 *per cent.* below par, the new proprietors of it were all incorporated into one great company, with a governor and directors, who

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who got 6 *per cent.* for the whole capital, with an allowance of 8000*l.* a year for charges of management.

Thus all the original creditors for theſe deficiencies loſt the diſcount; the monied people gained it, and the public paid for all.

When credit is in this languid ſtate, every expence of government muſt riſe in proportion to the diſcredit of the paper with which they pay, till at laſt the whole ſum, with intereſt, accumulation, and expence, falls upon the ſtate, as if every farthing of it had been frugally expended in ready money.

This is a general view of the ſtate of credit in Queen Anne's reign.

Government had not, as in the former war, the inconveniences flowing from the diſorder in the coin to combat with. Theſe contributed more than any other circumſtance, to raiſe the capital of the debts at the peace of Ryſwick. Circulation, too, was conſiderably augmented, in conſequence of the increaſe of taxes, public debts, and the operation of the bank in circulating exchequer bills and tallies. Yet money was ſtill ſcarce, in compariſon of what it might have been, had proper methods been contrived to preſerve it upon a level with the occaſions for it.

The incorporation, alſo, of nine millions capital in the hands of a corporation, which afterwards was called the South Sea Company, was an aſſiſtance to public credit, by increaſing a monied intereſt, the principal view of which was to fill the government loans, on the lucrative conditions offered for them. And laſt of all, the ſtrictly adhering to the public faith of engagements, without ſeeking, by acts

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acts of power, to indemnify the ſtate for the loſſes it had been obliged to incur, from the circumſtances of the times, laid the ſolid baſis of national credit for the future.

Although the many taxes added to the former revenue, did not increaſe it in any proportion to the load laid upon the ſubject during this war, they ſerved, however, as a good foundation for improvement, as ſoon as the effects of peace reſtored them to their full production. But the ſecurities affecting theſe taxes having become every year greater, government was obliged to engage certain funds for thirty-two years to come, and ſometimes longer; and many branches of taxes, which formerly had been granted for ſhort terms, were then made perpetual. After the peace of Utrecht, the expences of the ſtate were greatly diminiſhed, and money began to regorge: ſo that in the year 1716, the firſt foundation of the ſinking fund was laid, by opening a ſubſcription for paying off about ten or eleven millions ſterling, at that time, charged upon ſeveral branches of taxes, the produce of which amounted annually to 724 849*l.* ſterling.

The proprietors of theſe debts were allowed to ſubſcribe into this new fund, at an intereſt of 5 *per cent.* redeemable by parliament: and in caſe the whole ſubſcription ſhould not fill at that rate, the bank and South Sea company became bound to make it up, upon receiving a like annuity in proportion to their ſubſcriptions.

The bankers' debt, of which we have ſpoken, the only public debt owing at the revolution, made part of thoſe which were to be ſubſcribed for.

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The taxes which had been appropriated for the diſcharge of thoſe capitals, from temporary, were made perpetual; with a clauſe added, that when the ſurplus of the fund, after payment of the intereſt, had diſcharged the capitals of all the national debt due the 25th of December in that year, the whole produce of the fund itſelf ſhould remain at the diſpoſal of parliament.

After this firſt operation in reducing the intereſt, the bank complied with a reduction to 5 *per cent.* of what was due to them; and they began to circulate exchequer bills at a more moderate intereſt than formerly.

Public credit was now daily gaining ground. In 1719, the South Sea company, the capital of which was then ſwelled to eleven millions at 5 *per cent.* with a ſum of 9397*l.* ſterling for the expence of management, enlarged their views; and finding large profits to ariſe from ſo great a fund under one adminiſtration, formed a project of acquiring a farther ſum of the public debts, which remained outſtanding upon the original funds appropriated for them.

For this purpoſe they propoſed to government to acquire, firſt, The property of above 16 millions of redeemable debts, bearing then 4 and 5 *per cent.* intereſt; and to reduce the whole to 4 *per cent.* at midſummer 1727. Secondly, To acquire the property of 794 000*l.* of annuities upon lives, and for long terms, as they ſhould agree with the proprietors, at 5 *per cent.* upon the purchaſe-money, until 1727; and at 4 *per cent.* afterwards. Annuities were then valued at fourteen and twenty years purchaſe,

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chaſe, according to their length: they roſe, however, during the operations of the South Sea, to 25 and 30 years purchaſe. Thirdly, They were to have a ſum added to their former allowance for the charge of management, in proportion to this augmentation of their ſtock. Fourthly, That for the advantage which might follow upon this agreement with government, the company was to pay into the exchequer above ſeven millions ſterling, toward diſcharging other national debts outſtanding. And in the laſt place, they engaged to circulate a conſiderable ſum of exchequer bills, and to pay the intereſt of 2 pence *per cent. per diem*, which ſhould grow upon them during ſeven years *.

From

* After the long and particular account I have given of the Miſſiſippi, I ſhall not enter into a like detail concerning a ſcheme which proceeded upon the very ſame principles; to wit, the artificially raiſing the value of a ſtock, by promiſing dividends, out of funds which were nowiſe proportioned to them.

I ſhall therefore, in a very few words, firſt compare ſome of the operations of the South Sea ſcheme with thoſe of the Miſſiſippi; and in doing it, point out the principal differences between them.

The great profits upon the Miſſiſippi were expected from the intereſt paid by government for the great loan, from the farms of the revenue, and from the profits upon their trade.

Thoſe of the South Sea were, at ſetting out, firſt, The profits upon their trade: ſecondly, The allowance made them by government for the expence of management; thirdly, The difference of receiving 5 *per cent.* for the money they laid out in purchaſing the public debts, when money was at 4 *per cent.* as it was when the ſcheme was ſet on foot: and fourthly, The ſurplus money ſubſcribed into the ſtock above par, in conſequence of the artifices uſed to enhance the value of it.

The ſeven millions they were to pay to the ſtate, ſeemingly for no value received, were a ſort of compenſation for receiving

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From the operations we have been deſcribing, we perceive, that the point of view in England, from

the 5 *per cent.* for 7 years, at a time when money was worth no more than 4 *per cent.*

Theſe advantages raiſed, at firſt, the value of the original ſtock of eleven millions. The conſequence was, that the proprietors of the 16 millions of the redeemable debts, which were to be bought in, when they came to ſubſcribe their capitals into the new ſtock, tranſacted them at a proportional diſcount; which diſcount, being good againſt the government in favour of the company, ſerved to diſcharge proportionally the ſeven millions the company was to pay. This gave an additional value to the ſtock; and ſo it roſe, greatly indeed above this proportion. Then the company promiſed a dividend of 10 *per cent.* for one half year, upon their capital, at midſummer 1720; this dividend was to be paid in ſtock, which was conſtantly riſing in its value; but no information was ever given to the public concerning the funds which were to produce this dividend; ſo every one concluded that there were hidden treaſures in the hands of the company which enabled it to promiſe ſuch large dividends. Accordingly, ſtock roſe from 300 *per cent.* to 375; then to 400, and at laſt to 1000 *per cent.*; and in proportion as it roſe, the wealth of the former ſubſcribers augmented from the ſurplus above par, paid by the latter, and thoſe who ſubſcribed laſt, bore all the loſs upon the blowing up of the ſcheme.

But one great difference between the South Sea and Miſſiſippi, was this: That in France there was abundance of money in the hands of the public, for purchaſing the actions, at the exorbitant price to which they roſe; but in England there was not: conſequently, in France, the rate of intereſt fell to 2 *per cent.* and in England, the great demand for money to borrow, raiſed it beyond all bounds.

Thoſe who ſubſcribed in money, paid down no more than 10 *per cent.* at ſubſcribing; but became bound to pay up the remainder. But when the ſtock tumbled, people were better pleaſed to loſe the 10 *per cent.* they had paid, than to pay up the remaining 90 *per cent.* according to the terms at ſubſcribing. Thoſe indeed who ſubſcribed their former capitals at a vaſt diſcount,

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from the peace of Utrecht, has always been, to reduce the intereſt of the national debt; but never to leave

count, did not labour under the ſame inconvenience for want of money; but this diſcount became as real a loſs to *them*, as the caſh ſubſcribed became a loſs to the money ſubſcribers, the moment that thoſe who were in the ſecret, and who, by the moſt infamous chain of artifices, had blown up the public frenzy, began to realize and ſell out, and that the whole was diſcovered to be a cheat. So that upon the whole, the Engliſh ſcheme had intrinſically a much worſe foundation than the French. The firſt blew up from an abſolute neceſſity, and for want of any bottom at all; the laſt from miſconduct, and rather from folly than knavery. I return to an account of the ſcheme.

The original capital of the South Sea company, was 11 750 000*l.* The *redeemable* debts which the proprietors of this capital afterwards propoſed to purchaſe, amounted to 16 750 000*l.*; and the value of the *irredeemable*, or what were called the *abſolute terms*, was computed at 15 058 000*l.* together 31 808 000*l.* ſterling.

The proprietors of this original capital of 11 750 000*l.* conſulted their own advantage only, in purchaſing in this large ſum of debts, which were to be converted into additional ſtock; and therefore founded very high the great advantages of ſuch a tranſformation of them; firſt, From the profits of the trade, which they were to enjoy excluſively. And, ſecondly, From the great addition to their wealth, from the conſtant riſing in the price of their ſtock. They carried their views to nothing leſs than obtaining a majority in the houſe of commons, by the weight of their wealth, and of becoming the abſolute rulers of the nation.

The public being from the beginning intoxicated with ſuch ideas, ſubſcriptions for ſtock were opened at 200 *per cent.* above par; and ſome of the proprietors of the 31 808 000*l.* ſubſcribed at firſt their capitals at a proportional diſcount; that is, they made over a debt of 100*l.* for 33⅓ in South Sea ſtock; and ſucceſſively the ſubſcription roſe to 1000 *per cent.* Theſe immenſe profits being incorporated into the gains of the general ſtock, were proportionally ſhared by the ſubſcribers themſelves, who became proprietors; and the higher the ſtock roſe, the more

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leave in the hands of the creditors, any part of the ſavings made, in order to diminiſh the capital. Theſe ſavings have conſtantly been thrown into a ſinking fund *ſuppoſed* to be intended for extinguiſhing the capital: and were it employed for this purpoſe for a few years only, and not diverted to other uſes, I am perſuaded the conſequence would be, to reduce the intereſt of money in England lower than ever

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theſe gains augmented. This influenced the infatuation; and the dividends augmenting in proportion to the price of ſubſcription, there appeared no end of the riſing of the ſtock.

The firſt dividend offered, as has been ſaid, was 10 *per cent.* half-yearly in ſtock; this was afterwards converted into no leſs than 30 *per cent.* in money, for that half year: and when ſtock roſe to 1000, a dividend of no leſs than 50 *per cent. per annum*, in money, was promiſed for twelve years to come.

Had ſtock riſen to 2000 *per cent.* the dividend could have as eaſily been carried to 100 *per cent. per annum*, as it had been to 50 *per cent.* when at 1000.

But whence was this dividend to be paid? The company and the directors took good care never to give to the public any light as to this particular.

To prevent, therefore, ſuch abuſes in the riſing of the South Sea, it ought to have been provided by parliament, that in taking in ſubſcriptions, and offering dividends, the directors ſhould, on the one hand, have informed the public, firſt, Of the money owing to them by government, ſecondly, Of the money gained by the ſubſcriptions above par. And thirdly, Of the profits upon their trade. And, on the other hand, of the debts due by them; and of the nett balance upon their books, in their favour.

This would have been fair dealing. But to pretend the neceſſity of ſecrecy, in a point where a nation is intereſted, was in itſelf a mere pretext; and had it been otherwiſe, it might have been anſwered, that a company which is obliged to have recourſe to ſuch ſecrets, ought to be prevented from dealing with thoſe who were to remain ignorant of *them*, however deeply intereſted.

perhaps

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perhaps it has been ſeen in any nation. That intereſt may be reduced, by making money regorge in the hands of the lenders, is, I think, an uncontroverted principle: that by regorging in France, *anno* 1720, it reduced intereſt to 2 *per cent.* is a fact indiſputable. I ſhall not pretend to ſay poſitively, that the total appropriation of the ſinking fund, and an augmentation upon annual grants, to make up the void, would in Great Britain work this effect in a few years; but I think it is very probable that it would: and if the domeſtic creditors, in any ſtate, where debts, *due to ſtrangers*, are ſwelled to ſuch a height as to exceed the whole profits made upon trade, ſhall by their influence, and from a motive of preſent advantage, obſtruct a ſcheme of this nature; the conſequence will prove, in the firſt place, to diſcourage, and then totally to extinguiſh commerce, and in a little time to occaſion an unavoidable bankruptcy; as ſhall be farther explained in a ſucceeding chapter. I return to the South Sea company.

The propoſal of the South Sea company, mentioned above, was accepted of, and ratified by act of parliament, 6 Geo. I. chap. 4th. But the diſaſter which befel credit, in conſequence of the ambitious views of thoſe who were in the adminiſtration of that company, prevented the nation from reaping all the advantages which might have proceeded from it.

The reign of K. George I. though little diſturbed by foreign wars, produced not the ſmalleſt diminution upon the capital of the public debts; and thoſe which ſubſiſted at the peace of Utrecht, ſtood, at his death, at 50 354 953*l.* The ſame taxes ſubſiſted; and every one almoſt was by this time made perpe-

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tual, except indeed the land tax and malt duty, which to this day continue to be annual grants.

But alas! this apparent revenue, ariſing from a multitude of taxes, was of no uſe towards defraying the ſmalleſt *extraordinary* expence of government. Every article of it was engaged for debts; and the operations for reducing the intereſt were calculated only to produce a fund for diſcharging the capital. The civil liſt, indeed, that is to ſay, the expence of civil government, excluſive of army, navy, ordnance, and incidental articles, was paid from the permanent taxes, and conſidered as a charge upon them. But were not armies and navies then become as regular an expence upon every ſtate in Europe as judges and ambaſſadors? Undoubtedly they were. Yet after the peace of Utrecht, in laying down the plan which has conſtantly been followed ever ſince, for defraying the regular expence of Britiſh government, theſe two great and unavoidable expences were conſidered as contingent only, and provided for by annual grants: and becauſe armies, in time of peace, in former reigns, had proved dangerous to liberty from the abuſe of power, they were ſtill conſidered in the ſame light, at a time when liberty and trade were continually threatened from their armed enemies and rivals abroad.

When the continuance of peace, in the reign of George the Firſt, had produced the effect of reducing intereſt, on many occaſions, to 3 *per cent.* the ſinking fund began to gather ſtrength. The land tax, from the year 1722, had not exceeded two ſhillings in the pound; and the *extraordinary* expence of government, according to the annual grants

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grants of the 13 years of his reign, did not exceed 34 800 000*l.* or 2 670 000*l.* a year.

Public tranquillity was very little disturbed during the first twelve years of the succeeding reign; and all the *extraordinary* expence did not much exceed three millions *per annum:* yet this expence, small as it was, compared with what it has been since, was almost every year made out, by taking one million at least from the sinking fund; and in the years of the least expence, such as 1731 and 1732, the land tax was reduced to one shilling in the pound, at the expence of taking two millions and a half from the sinking fund.

These steps of administration I neither censure, or approve of. I must suppose every statesman to have good reasons for doing what he does, unless I can discover that his motives are bad. May not the landed interest, who composed the parliament, have insisted upon such a diminution of their load? May not the proprietors of the public debts have insisted on their side, that no money out of the sinking fund should be thrown into their hands, while the bank was making loans upon the land and malt duties at 3 *per cent.*? Might not the people have been averse to an augmentation of taxes? When three such considerable interests concur in a scheme, which in its ultimate, though distant consequences, must end in the notable prejudice of perpetuating the debts, although opportunities offer to diminish them, what can government do? They must submit; and, which is worse, they cannot well avow their reasons.

Such combinations must occur, and frequently too, in every state loaded with debts, where the body

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body of the people, the landlords and the creditors, find an advantage in the non-payment of them. It is for this reafon that I imagine, the beſt way to obviate the bad conſequences of ſo ſtrong an influence in parliament, would be, to appropriate the amount of all ſinking funds in ſuch a manner, as to put it out of a nation's power to miſapply them, and by this to force them either to retrench their extraordinary expences, or to impoſe taxes for defraying them.

The ſecond period of George IId's reign, was from the breaking out of the Spaniſh war in 1739, to the peace of Aix-la-Chapelle in 1748. During theſe ten years, (1748 being included,) the extraordinary expence was, upon an average, very near ſeven millions; and at the end of the year 1738, the public debts amounted to 46 661 767*l.* bearing 1 962 053*l.* intereſt.

The firſt expedient for borrowing money during this war, was to continue the duty on ſalt for ſeven years; and to mortgage it at once for 1 200 000*l.* according to the old plan. To this was added, the expedient of lotteries, and loans upon indeterminate annuities, according to the current value of money.

An additional exciſe upon ſpirituous liquors, brought in wherewithal to compenſate theſe additional ſums of intereſt; and the Eaſt India company, for lending one million at 3 *per cent.* upon this occaſion, had their charter continued from 1766 to 1780. This operation I alſo conſider as an anticipation; and as it was to commence at the diſtance of 23 years from the time of the grant, could

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could not fail of being very burdenſome to the nation, however convenient it might be at that particular time.

Were the India company now, 1766, to purchaſe the renewal of their charter for 14 years, what a ſum might be expected from it! Yet the value given for the grant they then obtained did not exceed 30 000*l.* becauſe the other annuities of 3 *per cent.* were ſold at that time for 97*l.* or, in the language of the funds, at 3*l.* premium for every 100*l.* ſubſcribed; and this ſo early in the war as 1743.

The practice of borrowing upon premiums had taken place in Queen Anne's reign, and has of late years been very common. The credit of Great Britain is ſo firmly eſtabliſhed, that in whatever way government inclines to borrow, the moneyed men are willing to lend, provided the loan be made according to the rate of intereſt at the time.

To avoid therefore the eſtabliſhment of funds at different rates of intereſt, in proportion to the fluctuations of money, the bargain is made at one determinate rate. Suppoſe, for an example, 3 *per cent.* Then, according as money is found to riſe above this rate in the market, a premium is paid out of the money ſubſcribed; as in this caſe 3*l.* was paid out of the 100*l.* ſubſcribed; that is, the ſubſcriber retained it, and obtained his 3*l.* annuity, for the payment of 97*l.* ſo this remained a 3 *per cent.* loan, inſtead of being, as it really was, at $3\frac{9}{97}$ *per cent.* and was ſold and transferred as every other 3 *per cent.* without occaſioning any perplexity.

As the war continued, intereſt roſe, from the demand

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demand for money, when the ſupplies became deficient.

The year following, viz. 1744, this manifeſted itſelf, by the conditions offered by government, which were: That, of two millions to be borrowed at 3 *per cent.* as before, upon the whole ſum, 1 500 000*l.* ſhould be formed into perpetual annuities, and the remaining 500 000 *l.* into a lottery, conſiſting of 50,000 tickets, to be ſold at 10 *l.* each. The original ſubſcribers to this loan ſubſcribed therefore 10 *l.* for the ticket, and 30 *l.* for the annuity, in all 40 *l.*; for which they were to receive 3 *per cent.* But the premium conſiſted in this; that every ſubſcriber for 10 tickets, that is, 400*l.* of the total fund, had an annuity for life given to him of 4*l.* 10*s.*

This made five thouſand annuities on lives, of 4*l.* 10*s.* each, or 22 500*l.* a year to be added to the intereſt of 3 *per cent.* on the two millions, that is, to 60 000*l.* a year of perpetual annuities. So that the whole loan of two millions this year coſt government 82 500*l.* of intereſt, or 4$\frac{1}{8}$ *per cent.*; 22 500*l.* of which was to extinguiſh with the lives of the ſubſcribers.

Now, if we ſuppoſe theſe life-annuities worth 20 years purchaſe*, this was the ſame thing as if go-

* This may ſeem a high valuation, and is, in fact, far beyond what any of thoſe annuities ſold for: but as the intereſt of money cannot be eſtimated, for a conſtancy, at more than 3 *per cent.* and that probably the beſt lives were choſen, the value to government of ſuch annuities may well be eſtimated at 20 years purchaſe. By De Moivre's tables, annuities for the moſt favourable ages, intereſt being at 3 *per cent.* are valued at 19.87 years purchaſe; and his valuations are generally allowed not to be too high.

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vernment had given a deduction of 90*l.* out of the 400*l.* ſubſcribed; conſequently the remainder, which was 310*l.* produced 12*l.* This makes the rate of intereſt upon the loan to have been 3.87 *per cent.* And as government inclined that the loan ſhould be made in this way, the lenders were willing that it ſhould be ſo; and the difference between 3.87 *per cent.* (the then rate of money) and $4\frac{1}{8}$ intereſt, which was paid by government, was a ſinking fund, as it were, for the gradual extinction of the capital of the lottery for 500,000*l.* during the lives of the annuitants.

In 1746, perpetual or indeterminate annuities were conſtituted at 4 *per cent.* and the premium upon the ten lottery tickets was raiſed to 9*l.* life-annuity.

It would be unneceſſary to trace the various methods of contriving the premiums given in the ſucceeding years of this war. The principle upon which they were regulated was always to proportion them to the rate of intereſt at the time; and the motive was, I ſuppoſe, that by this method of borrowing, a part at leaſt of the debt would become extinguiſhed with the lives of the ſubſcribers. There might perhaps be another, to wit, that by ſwelling the capital, for value not received, there was an appearance of borrowing at a lower rate of intereſt than what in reality was the caſe. Thus in 1747, when 6 300 000*l.* were borrowed; inſtead of giving not quite $4\frac{1}{2}$ *per cent.* for this ſum, they gave 4 *per cent.* upon 6 930 000*l.* which capital, although money ſhould return to 3 *per cent.* was ſtill to ſtand at its full value; whereas, had 6 300 000*l.* been borrowed at $4\frac{1}{2}$ *per cent.* there would have been a ſaving of 600 000*l.*

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600 000*l.* upon the capital; and at the peace, the intereſt of 4½ *per cent.* would equally have come down to 3 *per cent.* with the other funds.

During this firſt war of George the Second, the land tax was conſtantly at 4*s.* in the pound; and new branches of cuſtoms, exciſe, or other inland duties, were created in proportion to the ſwelling of the national debts, which, on the 31ſt of December 1748, amounted to 78 293 313*l.* ſterling, bearing 3 005 325*l.* intereſt; and the ſinking fund, or ſurplus of all permanent taxes then impoſed, after paying the civil liſt, and the intereſt upon this capital, amounted to 1 060 948*l.* ſterling. During this war, the debts were increaſed above what they were at the end of 1738, by 31 631 546*l.* ſterling capital, and by 1 043 272*l.* of intereſt or annuities.

The war was no ſooner over, and the national expence diminiſhed, than money began to regorge in the hands of the monied intereſt: an infallible conſequence of ſuch a violent revolution, when extraneous circumſtances, ſuch as occurred after the peace 1763, do not prevent it.

To profit of this conjuncture, government, early in 1749, propoſed that all the public creditors upon capitals bearing 4 *per cent.* intereſt, redeemable by parliament, and amounting to upwards of 57 millions, who ſhould accept of 3 *per cent.* from December 1757, ſhould have their debts made irredeemable until that time; and in the interval ſhould continue to have 4 *per cent.* till December 1750; and 3½ *per cent.* from thence, until the total reduction to 3 *per cent.* in December 1757.

This bold undertaking had the deſired effect. Many

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Many obſtacles were thrown in the way; but the regorging capitals in the hands of many, made every one fear the reimburſement for himſelf; and the credit of France was then ſo low, that very few choſe its funds as an outlet for their ſuperfluous money.

But an outlet, unfortunately, was not wanting at the end of the laſt war in 1763, as we ſhall ſhew in its proper place.

Here then is a notable inſtance of the effects of regorging money. A ſmall ſum, when compared with a nation's debt, operates upon the whole capital; as a ſmall balance upon trade affects the whole maſs of reciprocal payments.

The reimburſement of 57 millions offered by government, in 1749, was, to the conviction of all the world, an impracticable ſcheme; but the ſtockholders ſeeing a large ſum ready to be ſubſcribed, at the intereſt offered, and feeling the effects which that regorging money muſt, in all events, have produced; willingly, and wiſely perhaps, conſented to the offer made them. Had they refuſed, and had the ſcheme propoſed become abortive thereby, perhaps the nation, from the diſappointment, might have been ſo far animated againſt the creditors, as to have conſented to be at the expence of defraying the ſervice of the following years, without encroaching upon the ſinking fund. What effect this would have produced upon the rate of intereſt, in that conjuncture, no man can tell, nor will the real conſequence of ſuch a meaſure be ever known, until the happy trial be made. That it would have brought intereſt below 3 *per cent.* in December 1757, is, I think, evident: for as matters ſtood, had the creditors of 57 millions

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millions been able to hold out, I muſt do them the juſtice to believe, they would not have accepted the propoſal made to them; and an addition of all the ſinking fund thrown among them annually, at a time they could not diſpoſe of what they had, upon better terms than thoſe offered to them, would undoubtedly then, as at all times, operate a very great national relief, in bringing down the intereſt of money.

During the tranquillity which continued from the peace of Aix-la-Chapelle, in 1748, to the commencement of hoſtilities in 1755, the money expended for extraordinary ſervices amounted on an average to above four millions *per annum*. The expence of government was then increaſed, by ſupporting the colonies, and by ſeveral great and uncommon outgoings at home, for purpoſes mentioned in the ſupplies of thoſe years.

A little before the breaking out of the laſt war, that is to ſay, on the 5th of January 1755, the national funded debt was reduced to 72 289 674*l.* upon which was paid an annuity of 2 654 500*l.* and the ſinking fund amounted to 1 308 814*l.** At the end of 1763, the year of the peace, the funded debt amounted to 130 586 789*l.* 10*s.* beſides above 9 millions not provided for. So that at the end of laſt war the national debt exceeded 140 millions; beſides the value of the annuities granted in 1757, 1761, and 1762. Hence it appears, that the

* To this funded debt muſt be added the unfunded debt, which I do not know exactly; and the value of the annuities granted in 1745, and 1746.

war

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war occaſioned an augmentation of upwards of 58 297 116 *l.* upon the funded national debt; beſides the difference between the unfunded debts at the beginning and end of the war; and alſo the value of thoſe annuities*.

I ſhall, before I conclude this chapter, preſent a ſhort ſcheme of the ſtate of the nation at that time: but firſt let us take a view of the methods uſed to borrow ſo large a ſum in the ſhort period of eight years.

Until 1757, money was borrowed by government, at very little more than 3 *per cent.* but then a loan of 5 millions being neceſſary, government conſented to create annuities of 4½ *per cent.* irredeemable for 24 years. By this expedient the monied people eluded the operation of reducing the intereſt of this fund, upon the return of peace. How far this expedient was to be preferred to the former, of increaſing the capital beyond the money paid; or whether it would not have been ſtill better to have paid for the money wanted, according to the current rate of intereſt in the market at the time, waiting until a peace might afford a favourable opportunity of reducing it, I ſhall not take upon me to determine †.

I have obſerved how raſh it is for any one to cenſure acts of adminiſtration, when the motives of a ſtateſman's conduct are unknown. This, however, I have ſometimes ventured to do, in ſpeaking of

* The annuities of 1757, are eſtimated, by the author of the Conſiderations on Trade and the Finances, at 472 500*l.* or at 14 years' purchaſe; and the annuities of 1761, 1762, at 6 826 875*l.* or at 27½ years' purchaſe. But this valuation ſeems too low, for the reaſons given in the note, p. 60.

† This queſtion has been determined in the affirmative, in a pamphlet aſcribed to Mr. G. Grenville, entitled, The preſent State of the Nation an. 1768: page 12 in the note.

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things which happened many years ago; but we ought to be more cautious as we come nearer to our own times, becauſe not having, as in the caſe before us, a courſe of experience to point out the errors, we muſt entirely rely upon our own ſagacity, and reaſon from analogy only.

During the laſt war, as in that preceding it, taxes were increaſed in proportion to the intereſt of the money borrowed; and new impoſitions were now laid on the articles of great conſumption, which produced abundantly. The new malt-duty of 3*d.* *per* buſhel, and the new beer-duty of 3*s.* *per* barrel, bring in net into the exchequer near 820 000 *l.* *per annum*, and diſcharge the intereſt of above 27 millions ſterling, at 3 *per cent.* Such a ſum raiſed at the end of a war ſo very expenſive, and at the very time when the credit of France was totally fallen, muſt have operated in the ſtrongeſt manner, and did in fact operate more, perhaps, than any other conſideration, to put an end to that war, the moſt glorious that Europe has beheld ſince the beginning of this century, or perhaps in any age whatever: advantageous to Great Britain, notwithſtanding all the expence, provided that the conſequences happen to correſpond to what may be reaſonably expected.

I ſhall now ſet before my reader a ſhort ſtate of the taxes, debts, and public funds of Great Britain, at this bright period of her hiſtory.

From the beſt authority I have been able to procure, the revenue of the ſtate, conſidered under the three general branches of cuſtoms, exciſe, and other inland duties, which comprehend the whole permanent income of this kingdom, was then as follows:

Cuſtoms

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Cuſtoms net into the exchequer, about - - - - -	£. 2 000 000
Exciſe in all its permanent branches net, about - - -	4 600 000
Other inland duties net - -	1 000 000
Land tax at 4s. in the pound -	2 000 000
Annual malt tax net - -	613 000
In all - - - - -	10 213 000

Let us next ſtate the annual charges and appropriations ſettled upon this fund.

Firſt then the civil liſt, to the amount of - -	800 000	
Secondly, The intereſt of about 131 millions of funded debts at different rates of intereſt, about - -	4 500 000	
Thirdly, The intereſt of nine millions not then provided for, ſuppoſed to be at 4 *per cent.* - -	360 000	
In all of regular and permanent annual charge - - - -		5 660 000
So there remains free, about -		4 553 000
From which if we deduct the annual grants of land and malt-taxes, which extend together, as above, to -		2 613 000
There will remain as the produce of the ſinking fund * - - -		1 940 000

In

* I find that the ſinking fund is now eſtimated at 2 100 000*l.* by the author of the Conſiderations on trade, &c. above cited. I

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BOOK IV.

In this ſtate, nearly, ſtood the affairs of Great Britain after the concluſion of the peace in 1763.

It now only remains to offer ſome conjectures why, after the concluſion of this peace, as after the peace of Aix-la-chapelle, money was not found to regorge, ſo as to furniſh an opportunity of reducing the rate of intereſt upon all redeemable debts, and by that to raiſe the amount of the ſinking fund, and more firmly to eſtabliſh the national credit.

After the fall of the credit of France toward the end of 1759, Great Britain had the command of all the money to be lent in Europe; and accordingly amazing ſums were borrowed in 1760, 1761, and 1762. Of the ſums borrowed, a great part, no doubt, was the property of ſtrangers; but they, not being ſo well acquainted with the affairs of this nation as the Engliſh themſelves, inſtead of ſubſcribing to the loans, lent the money to our own country people, who, in hopes of a great riſe upon the return of peace, filled the ſubſcriptions with this borrowed money.

The conſequence was, that no ſooner did the funds begin to riſe after the peace, than many creditors demanded their money of thoſe who had in-

am alſo informed that the net produce of the cuſtoms exceeds 2 200 000*l.* conſiderably: but 4 600 000*l.* is rather the groſs than the net produce of the *permanent* duties of exciſe; that is, of all the exciſe duties, excepting the annual malt-duty. It muſt alſo be obſerved, that the annuities payable to the national creditors amounted, the 5th January 1764, to more than 4 720 000*l.* But on the other hand, the intereſt of the unfunded 9 millions is rated too high, as appears from the author above quoted. I cannot pretend to give exact details. The general ſketch here ſtated is ſufficient for my purpoſe.

veſted

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veſted it in the public funds. This obliged the latter to bring their ſtock to market, and this again had naturally the effect of keeping the funds very low. Some, more prudent than the reſt, had borrowed upon a long term of repayment: which had the effect of putting off ſtill longer the ſettlement of the funds in the hands of the real proprietors, and of taking them out of thoſe who only held them nominally.

Beſides this accidental cauſe of the low price of the funds, other circumſtances, no doubt, greatly contributed to produce the ſame effect.

How great ſoever the balance of trade, that is, of exportations above importations, may have been of late in favour of England, ſtill the mighty ſums drawn out by the foreign creditors have certainly, upon the whole, prevented much money from coming home on the general or grand balance of payments. While this continues to be the caſe, it is impoſſible that much money ſhould regorge at home in the hands of the natives, and until this ſhall happen, there can be no hope of ſeeing the 3 *per cents.* riſe above par. But then the riſe, ſmall as it is, ſince the peace, may encourage us to hope that this favourable change is not far off: for had the profits of our trade been quite unable to balance the loſs upon our foreign debts, the funds would undoubtedly ſtill continue to fall, which is demonſtrably not the caſe from the circumſtances of the loan in April 1766, obtained by government, with the aſſiſtance of a lottery indeed, at 3 *per cent.**

Here

* The loan of 1766, was 1 500 000l. at 3 *per cent.* Every ſubſcriber for 100*l.* had an annuity of 3 *per cent.* on 60*l* and 4

 lottery

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Here then was an outlet provided for more money than all that could regorge at home, viz. the payment

lottery tickets, valued to them by government at 10*l.* each, in all 100*l.* The prizes and blanks in the lottery amount to 600 000*l.* and bear 3 *per cent.* paid by government. The annuities amount to 900 000*l.* and bear alſo 3 *per cent.* The number of tickets are 60 000. Hence at 10*l.* each, they amount to 600 000*l.*

The advantage government reaps by this way of borrowing, is, that the deſire of gaming, raiſes the lottery tickets above their value, when thrown into the hands of the public; and this advanced value being a profit to thoſe who receive them in part of their ſubſcription, this profit they ſhare with government. Example. In April 1766, when government borrowed 1 500 000*l.* at 3 *per cent.* the 3 *per cents.* were at 89; conſequently, the difference between 89 and 100, which is 11*l.* muſt have been ſuppoſed to be the ſum which the ſubſcribers, from the propenſity of people to game, had a reaſonable, or rather a certain expectation of gaining upon the ſale of 4 lottery tickets, that is, 2*l.* 15*s.* upon every one.

To know therefore the real par of a lottery ticket, you muſt proceed thus: it coſts the ſubſcribers 10*l.* for which they receive from government 3 *per cent.* This 10*l.* as 3 *per cents.* ſtood at 89, is worth at that rate no more than 8*l.* 18*s.* Add to this ſum what the public muſt pay for the liberty to play, which we have ſtated above at 2*l.* 15*s.* and you have the exact par of a lottery ticket at 11*l.* 13*s.*

Whatever they ſell at above 11*l.* 13*s.* is profit to the ſubſcribers, whatever they ſell below 11*l.* 13*s.* is a loſs to them.

This profit though ſmall in appearance, is greatly increaſed from another circumſtance, viz.

That the ſubſcribers may ſell their ſubſcriptions at a time when they have really advanced but a ſmall part of it. The firſt payment is commonly of 15 *per cent.* on their ſubſcription: when they ſell, they make this profit upon the whole capital. Suppoſe then 15 *per cent.* paid in: if the profit upon ſelling be no more than 1 *per cent.* upon the capital, that 1 *per cent.* turns out no leſs than 6⅔ *per cent.* upon the money they have advanced. Thus a perſon who is poſſeſſed of 1500*l.* only, may ſubſcribe for 10,000*l.*

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ment of those foreign creditors, to whom the stockholders were indebted. Besides this, the sale by government, of such tracts of land in the new acquired islands in the West Indies, provided another; money was even placed in the funds of France soon after the peace, until the adventurers were checked by the operations of the King's council, in reducing both capitals and interest upon them, contrary to the original stipulations with the creditors. A lucky circumstance for Great Britain, as it forces, in a manner, all the money of the continent into the English funds, which equally remain a debt upon the nation, whether high or low in the market.

CHAP. VI.

State of the public Credit in France, their Debts, Funds, and Appropriations, at the Peace 1763.

WERE it as easy to get information of the political state of France as of Britain, one might attempt to give such a sketch of their affairs as we have

10 000*l.* in this loan: he pays in his 1500*l.* and receives his subscription; when he sells, he sells 10 000*l.* subscription, upon which he gains 1 *per cent.*: 1 *per cent.* of 10 000*l.* is 100*l.* so (in one month suppose) he gains by this means 100*l.* for the use of 1500*l.* But as a counterbalance for this profit, he runs the risk of the falling of the subscription, which involves him in a proportional loss if he sell out; or in the inconvenience of advancing more money than he had to employ in that way, in case he should prefer keeping his subscription for a longer time, in hopes of a rise in the public funds. By this mode of borrowing, govern-

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have now done of the other; but when we conſider the lame accounts given by French authors who have made reſearches of this kind their particular ſtudy, it would be inconſiderate in a ſtranger ever to undertake a taſk ſo difficult.

In France, the finances are conſidered as a political arcanum, of great conſequence to the ſtate to conceal from vulgar eyes. It is not long ago, ſince the farmers of the greateſt part of the revenue uſed regularly to burn their books at the end of the year, in order to prevent the King's ſervants from knowing the ſtate of the moſt eſſential part of his affairs. Cardinal de Fleuri aboliſhed this cuſtom, and obliged them to lay every thing open to his eyes.

I ſhall now endeavour to communicate, in as ſhort and diſtinct a manner as I can, an idea of the preſent ſtate of the French revenue; of the taxes from which it proceeds; of the manner they are adminiſtered; of the purpoſes for which they are appropriated; and of the ſtate of the King's debts at the end of the laſt war.

From this view we ſhall form a general notion of their public expences; of their public debts; and of what is moſt material, of the reſources of that kingdom in time to come.

For this purpoſe, I ſhall divide the whole revenue

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ment profits by the diſpoſition of the people to game. But this propenſity has its bounds, and at preſent it is found by experience not to exceed 60 000 lottery tickets, or 600 000*l.* Were, therefore, a ſubſcription of 3 millions taken in upon the ſame plan with the preſent of 1 500 000*l.* the regorging number of tickets would ſo glut the market, that the whole would fall below the par of their ſuppoſed value.

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of France, that is, all that is raiſed on the people, to whatever purpoſe it may be applied, into five branches; and after having firſt explained the nature of each, I ſhall give a general detail of them in their order.

The firſt branch is what is called the King's ordinary revenue. This is compoſed of about twelve articles of permanent taxes, ſuppoſed to be ſufficient for defraying the whole expence of government, civil and military, in time of peace.

The ſecond is compoſed of all the extraordinary impoſitions which were laid upon the people, in conſequence of debts contracted in the former war, ended in 1748.

The third, what was impoſed during the laſt war, for the ſervice of the ſtate, and for paying off the debts then contracted.

The debts of France, contracted in periods anterior to thoſe two wars, are charged on the ordinary revenue, as we ſhall preſently ſee.

The fourth branch conſiſts of two articles. The firſt comprehends certain perpetual taxes appropriated for certain ſtate expences, not charged upon the ordinary revenue. The ſecond, what is computed to be the expence of levying all the taxes, and alſo the profit of the farmers: or in other words, what the people pay more than the public receives from the hands of the tax-gatherers.

The fifth and laſt branch, comprehends the taxes paid to the court of Rome, to the clergy, and to the poor; with other duties belonging to private perſons. Under one or other of theſe five branches, may be very properly arranged all the taxes paid by the French nation.

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FIRST GENERAL BRANCH.

The King's ordinary revenue, with the charges upon it for the year 1761.

Articles of revenue,	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
1. Domain (the King's landed eſtate) - -	6 000 000	266 666	13	4
2. Taille (the land-tax)	56 600 000	2 515 555	11	1½
3. Double capitation (the poll-tax) - - -	53 200 000	2 364 444	8	10½
4. Ditto upon ſuch as have civil employments, penſions, &c. - -	6 700 000	297 777	15	6½
5. 2 s. in the pound on all civil employments -	6 800 000	302 222	4	5½
6. The mint, or coinage -	2 400 000	106 666	13	4
7. Decimes and capitation of the clergy * - -	12 400 000	551 111	2	2½
8. Free gifts from the ſtates of Burgundy, Provence, Languedoc, and Brittany	10 000 000	444 444	8	10½
9. Paulette, or annual tax upon hereditary offices -	2 600 000	115 555	11	1½
10. Tax on the Lutheran clergy of Alſace -	200 000	8 888	17	9½
11. Regale, or the ſovereign's right on eccleſiaſtical benefices - -	1 400 000	62 222	4	5½
Carry over	158 300 000	7 035 555	11	1½

* The ſtate of the King's ordinary revenue for 1761 I have here ſet down according to my information: but it muſt be obſerved, that this article comprehends the tax laid on the clergy for five years, commencing with 1762. The capitation alſo, in article third above, is ſtated at double the amount of it in time of peace.

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CHAP. VI.

	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Brought over	158 300 000	7 035 555	11	1¼
12. General farms	112 500 000	5 000 000	—	—
Total of the ordinary revenue	270 800 000	12 035 555	11	*1¼
Of this total the general farms amount to livres. 112 300 000	l. 5 000 000	s. —	d. —	
And the other branches to	158 300 000	7035 555	11	1¼
The farms were increaſed *anno* 1762 by	11 500 000	511 111	2	2½
Total ordinary revenue at the end of the war	282 300 000	12 546 666	13	4
Articles of Expence.				
Houſhold of the King and royal family	9 400 000	417 777	15	6½
Ditto their perſonal expence	4 600 000	204 444	8	10½
King's ſtables and ſtud	2 500 000	111 111	2	2½
Hunting equipages	1 600 000	71 111	2	2½
Alms	600 000	26 666	13	4
Pay of the palace guards, *(gardes de la porte)* &c.	3 300 000	146 666	13	4
King's buildings	6 600 000	293 333	6	8
Total expence of the court	28 600 000	1 271 111	2	2
Pay of all the houſhold troops	8 000 000	355 555	11	1¼
Pay of all the other troops of France	48 000 000	2 133 333	6	8
Carry over	56 000 000	2 488 888	17	9¼

* Theſe reductions of French money to ſterling, are computed at the rate of 22½ livres to the pound ſterling. Hence 270 800 000 livres make 12 35 555l. 11s. and 1¼d. ſterling, or nearly 1¼d. as ſtated, though the amount of the partial ſums differs by 1d.

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	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Brought over -	56 000 000	2 488 888	17	9⅔
Fortifications - -	6 000 000	266 666	13	4
Artillery for land ſervice -	6 600 000	293 333	6	8
Military gratifications, over and above the pay -	10 000 000	444 444	8	10½
Pay of general officers commanding in provinces and fortreſſes - -	2 000 000	88 888	17	9⅔
Pay, &c. of the mare-chauſſée - -	2 200 000	97 777	15	6½
Expence of priſoners of ſtate - - -	1 200 000	53 333	6	8
Ordinary expence of the navy - - -	25 000 000	1 111 111	2	2½
Total regular military expence by land and ſea	109 000 000	4 844 444	8	10
Royal penſions - -	9 000 000	400 000	—	—
The appointments of the King's miniſters - -	310 000	13 777	15	6½
Ditto of the firſt preſidents of all the parliaments in France, expence of criminal proſecutions, and ſort other articles of that many - - -	22 000 000	977 777	15	6½
Appointments of the venal employments, of the robe, treaſurers, receivers, comptrollers, &c. - -	10 000 000	444 444	8	10½
Bridges, highways, dykes, &c. - - -	4 000 000	177 777	15	6½
For the royal academies -	1 400 000	62 222	4	5½
To the King's library, and archives of France -	1 800 000	80 000	—	—
Carry over	48 510 000	1 895 999	19	11½

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	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Brought over -	48 510 000	1 895 999	19	11½
Extraordinary and casual expence upon the two last articles - -	400 000	17 777	15	6½
For lighting and cleaning the city of Paris - -	840 000	37 333	6	8
Appointments of the secretary of the cabinet council for couriers, and other expence - - -	1 400 000	62 222	4	5½
Ditto of ministers at foreign courts - - -	1 800 000	80 000	—	—
Total sum of this branch -	52 950 000	2 353 333	6	8
Interest at 2½ *per cent.* upon 990 000 000 livres, or 44 000 000l. sterl. of the late King's debts constituted after the bankruptcy 1720 - -	24 750 000	1 100 000	—	—
Interest at 2½, upon 94 millions due to the company of the Indies, upon their old accompts 1720 -	2 350 000	104 444	8	10½
Farther allowed to the company, for paying their dividends - - -	2 400 000	106 666	13	4
Annuities on lives constituted during the last war	16 000 000	711 111	2	2½
Total interest of debts -	45 500 000	2 022 222	4	5

This article of 16 millions of annuities on lives is the only charge cast upon the King's ordinary revenue, in consequence of the last war.

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Recapitulation of the expences.	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Expence of the court -	28 600 000	1 271 111	2	2½
Fixed military ditto, by ſea and land - - -	109 000 000	4 844 444	8	10½
Juſtice, penſions, &c. -	52 950 000	2 353 333	6	8
Intereſt of debts - -	45 500 000	2 022 222	4	5½
Total expence - -	236 050 000	10 491 111	2	2½
Total ordinary revenue at the end of the war -	282 300 000	12 546 666	13	4
The firſt deducted from the latter, Remains free	46 250 000	2 055 555	11	1½

Beſides the articles of expence here ſtated, there are many others, to which no limit can be ſet. The *comptant*, or the King's private orders for ſecret ſervice, and many different expences, form a great article. Subſidies alſo to foreign courts: in ſhort, much more, in all human probability, is ſpent, than all the produce of this permanent revenue can anſwer. So that from this no relief from debts can be expected, except ſo far as it may be augmented by the falling in of the annuities on lives. But public debts are to be paid only by funds appropriated for that purpoſe: and were this revenue to be relieved of the whole 45 millions of intereſt charged upon it, I have little doubt but the King's expence would augment in proportion.

I ſhall delay making any obſervation upon the nature of the impoſitions which produce this revenue, until we come to the ſubject of taxes, to which it naturally belongs.

Beſides this ordinary revenue of the Kings of France,

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France, which (if we except 26 600 000 livres, or 1 182 222*l.* 4*s.* 5¼ *d.* upon the capitation, added on account of the war only for a time) may be conſidered as their civil liſt; there are other branches of revenue, which are to be looked on as extraordinary ſupplies, impoſed for raiſing money in time of war, and for paying off the debts contracted, upon the return of peace. Of this nature are *dixiemes* and *vingtiemes;* taxes very contrary to the ſpirit of the French nation, and to which they never have ſubmitted without the greateſt reluctance, and only on very urgent occaſions.

The credit of France fell very low towards the end of the former war, which began in 1744, and ended in 1748. The parliament regiſtred with great unwillingneſs every edict impoſing new burthens. The *dixieme* was a great augmentation of revenue, for the time it laſted; but being an impoſition which the Kings of France never have been able to make perpetual, it could not be pledged for ſuch large ſums as are required in time of war, and which no nation, however wealthy, can furniſh annually, as they are demanded.

To ſupply, therefore, the want of a fund to be mortgaged, and conſequently the want of public credit, the King's banker M. de Monmartel, with other men in buſineſs, joined their credit, and ſupplied the King's extraordinary occaſions. They opened a ſort of bank *anno* 1745, where they received money at ½ *per cent. per* month, the principal payable on demand. This fund gained credit; payments being regularly made as ſoon as demanded.

Upon ſettling accounts after the peace, *anno* 1748, the

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the King was found indebted to this bank for a vaſt ſum of money. In order to pay it, lotteries were ſet on foot. The tickets were given to the bankers, and they by the ſale of them withdrew their own paper, which was circulating with very good credit on the exchange of Paris. In order to furniſh a fund for this lottery, the King had intereſt with the parliament to get a twentieth penny, or one ſhilling in the pound, eſtabliſhed upon all the revenues of private people in France, except the clergy, and ſome hoſpitals. The ſame was charged upon the induſtry of all corporations of trades and merchants; and to theſe was added a capitation upon the Jews.

This was thrown into what they call the *caiſſe d'amortiſſement*, or ſinking fund; and appropriated for paying off the lotteries, and ſome of the antient debts which were to be drawn, for this purpoſe, by lot; and for other extraordinary expences incurred in conſequence of the war. This tax was to ſubſiſt, I believe, till 1767. It was this *caiſſe d'amortiſſement* which was ſhut up in 1759, by which ſtep a mortal blow was given to French credit.

Beſides this firſt twentieth penny, there were five other taxes impoſed, and appropriated during a determinate number of years, not exceeding 15 in ſome, 12 in others, for paying off the debts contracted in the war ended 1748, and for ſome extraordinary expences of government.

Theſe ſhall be ſpecified in the following general view of this ſecond branch of the French revenue.

SECOND

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SECOND GENERAL BRANCH.

Extraordinary taxes eſtabliſhed after the peace of Aix-la-Chapelle, with their appropriations.

	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
The firſt twentieth penny on all income - -	23 800 000	1 057 777	15	6½
Ditto upon tradeſmen and merchants incorporated -	6 500 000	288 888	17	9½
Ditto upon the Jews -	1 400 000	62 222	4	5½
Total of the twentieth penny, which formed a ſinking fund, ſhut up in 1759 - -	31 700 000	1 408 888	17	9½
The farm of the poſts and *relais* of France - -	6 000 000	266 666	13	4
Two ſhillings in the pound of the capitation added to it - - -	5 520 000	245 333	6	8
The farm of ſtamp-duties on leather, and duties on tanners' bark - -	2 960 000	131 555	11	1½
The farm of duties upon gunpowder and ſaltpetre	2 988 000	132 800	—	—
Two ſhillings in the pound of the twentieth penny added - - -	3 170 000	140 888	17	9½
Total of this ſecond branch of French taxes	52 338 000	2 326 133	6	8

Appropriations of this fund, as follows:

1. For paying, during ten years, a part of the 990 millions of livres, of old

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	Fr. money. *Livres*	Sterling ditto. *l.*	*s.*	*d.*
Annuities, charged above on the King's ordinary revenue, and bearing an intereſt of 2½ *per cent.* the yearly ſum of - -	5 000 000	222 222	4	5¾
2. To the India Company, in diſcharge of a debt due to them: for 12 years -	2 000 000	88 888	17	9¾
3. For paying the prizes of the bankers' lotteries every year as they are drawn: for 12 years -	3 800 000	168 888	17	9¾
4. Towards making good deficiencies upon the funds appropriated for the war, yearly, till paid -	18 700 000	831 111	2	2½
5. Ditto upon the funds appropriated to the new *Ecole militaire*. - -	1 200 000	53 333	6	8
6. For payment of perpetual annuities created during laſt war - -	14.500 000	644 444	8	10½
7. For making good deficiencies upon the artillery and magazines, during the war 1744: for 12 years, the annual ſum of -	1 800 000	80 000	—	—
8. Ditto upon the article of foreign affairs - -	8 690 000	386 222	4	5¾
Total appropriation -	55 690 000	2 475 111	2	2½

This branch of revenue appears, by this ſtate, to be totally appropriated to certain purpoſes.

Were appropriations adhered to in France, and could one be certain that debts are actually diſcharged, at the period appointed, in conſequence of the

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the appropriation for that purpoſe, we might form a better judgment of the *actual* amount of the debts of France, than in fact any man can do who is not in the adminiſtration.

Of this ſecond branch of taxes I conſider the twentieth penny, the two ſhillings in the pound augmentation upon it, and a like augmentation upon the double capitation; amounting in all to above 40 millions a year, as a reſource which France may have at all times, in caſe of neceſſity; although I do not ſuppoſe it will be poſſible to eſtabliſh them as a fixed revenue. They will probably, however, as matters ſtand, be continued, either in whole or in part, until the great load of debts, recently contracted, ſhall be conſiderably diminiſhed.

As for the remaining ſum, ariſing from the poſts, leather, and ſaltpetre, theſe I conſider as perpetual; becauſe by their nature they are not burthenſome to the people.

We are not to underſtand that the annual ſum of five millions of livres, appropriated for paying off the capital of 990 millions of the old annuities, bearing 2½ *per cent.* ſtated in art. 1ſt, was intended to be applied to theſe capitals, at the rate they ſtand. In France it is ſuppoſed that he who gets 20 years purchaſe of the intereſt of his debt, is always fairly paid off; and people there are ſo fond of reimburſements, even at this rate of making them, that when, about the year 1755, a like ſcheme of paying off thoſe old annuities was ſuggeſted, it was upon condition that every one having, for inſtance, an annuity of 100 livres, ſhould, in order to be entitled to this reimburſement, pay to the King 20 years'

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purchaſe of it, or 2000 livres ready money; and that being complied with, his contract was to be put into the lottery wheel, with all the reſt ſubſcribed for, and if it happened to be drawn, he was to receive 4000 livres; to wit, the 2000 he had paid down, and the other 2000 as the value of a capital of 4000 livres, at $2\frac{1}{2}$ *per cent.*

This every body muſt allow procures a wonderful facility in paying off debts. If the Engliſh creditors could be engaged to enter into the ſpirit of ſuch reimburſements, government, I am perſuaded, would not apply ſo cloſely as they do, to reduce the intereſt upon them; whereby a great diſtreſs comes upon poor widows and orphans, who have their all veſted in the funds. This inconvenience is avoided in France: the poor are cheriſhed by the comfort of high intereſt; the ſtate is ſet free; and the creditors rejoice in getting back their money, in any ſhape whatever.

The war of 1756 breaking out, obliged the King to think of every expedient to increaſe his income. Had he ſet out by borrowing upon annuities for lives, at 10 *per cent.* and by mortgaging his ordinary revenue for the payment of them, his credit would have been more ſolid, and the plan of running in debt more ſyſtematical: but in the end, it would have involved him in the terrible dilemma of either making a bankruptcy, in order to reinſtate himſelf in the poſſeſſion of his ordinary revenue, or of making him depend upon his parliament, more than he inclined: the concurrence of this moſt reſpectable body is abſolutely neceſſary for laying on a perpetual and regular impoſition, which alone can form a ſolid baſis of national credit.

He was therefore reſolved, in one way or other, to

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to increaſe the impoſitions on the people in the time of war, in order to avoid the conſequences he foreſaw from the loſs of his fixed revenue.

The King's miniſters at this time could not convince the parliament of Paris, that in order to borrow money upon the beſt terms, it was neceſſary to have a ſure fund for paying the intereſt of it.

It had been uſual to borrow money, on preſſing occaſions, from the farmers of the revenue, bankers, and financiers, as they are called, at 7 and even 10 *per cent.* They underſtanding the chain of the affairs of France, uſed to obtain credit both abroad and at home, from people who would not lend directly to the King; although they knew at the time of lending that the money was borrowed for his uſe. The reaſon was, that the King was under an abſolute neceſſity to keep faith with this ſet of men, upon whom the credit of France has depended for many ages: and as the profits they uſed to make were very great, miniſters knew, by a ſort of inſtinct, when they had gained enough; and in clearing their accounts in the uſual way, a ſufficiency was left to them, to repay what they had borrowed from others.

Perhaps the parliament thought, and perhaps with reaſon, that in the main it was cheaper to borrow in this way, at 10 *per cent.* than in the Engliſh way at 3 *per cent.* becauſe of the great facility in paying off the debts which attended it; but this is merely a conjecture. That there was however at that time a contraſt between the ſentiments of the parliament, and of the miniſter of the finances, who had contracted Engliſh ideas of credit, is moſt undoubted; and it was this contraſt which brought

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on the bankruptcy in 1759, when the ſinking fund was ſhut up againſt the creditors by an act of power. To judge of the ſentiments of both parties with candour, let us then examine the plan of borrowing propoſed by the one and by the other.

The miniſter, M. de Silhouette, propoſed to the King, to levy, as a ſolid fund of credit to borrow upon, a general ſubvention, as it was called, over all France; or in other words, to make the repartition of a large annual payment, over all the cities, towns, villages, and ſuburbs in France.

This was to be divided according to the ſuppoſed wealth and quantity of circulation every where. Every diſtrict was ordered to report to the King's council their opinion concerning the particular mode of raiſing their proportional part of it, in the beſt way relatively to their ſituation. This report the council was to examine, and to approve or amend the propoſal given in, according to information.

This was perhaps the beſt plan of taxation, if properly executed, that ever has been thought of, for a nation already under a regular adminiſtration of government, and accuſtomed to pay conſiderable impoſitions.

It removes the inconvenience attending all general taxes, which never fail to affect unequally different places and diſtricts. It admits of a prudent mixture of exciſes, with taxes upon poſſeſſions, according to the internal circumſtances of every place. It confines them to towns, where alone, all exciſes at leaſt, can be levied with propriety. It lightens the oppreſſion of tax-gatherers; becauſe the corporation may employ whom they will for that purpoſe. In a word,

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a word, it is a tax adminiſtered with all the advantages of a farm.

This tax, the general ſubvention, after it had been impoſed by edict, regiſtered in a bed of juſtice September 1759, fell to the ground, from the nature of the French conſtitution; becauſe it could not be levied without a ſyſtematic adminiſtration, ſupported by the authority of the courts of law, to which the parliament would not give their concurrence, for a very plain reaſon.

The general ſubvention being very extenſive, and calculated for a fund of credit to borrow upon, was, by its nature, of a ſpecies proper to become a perpetual tax, as all exciſes are. The parliament of Paris ſeemed to think it agreeable to the conſtitution, which they are ſworn to maintain, to preſerve at all times in their hands a certain power over the King's purſe, in order to prevent an extravagant miniſter from impoveriſhing the King and the kingdom at once, or running them into the inextricable confuſion of an infallible bankruptcy.

This circumſpection of the parliament was repreſented in another light at court; and odious parallels were drawn between what had happened in England about the middle of the laſt century, and what ſoon might be expected in France.

Upon ſuch topics every one judges as he is affected. The miniſter was railed at by the parliament-party, in the moſt virulent manner. Who was in the right, and who was in the wrong, upon the general queſtion, of the propriety of raiſing ſo large an impoſition, to ſerve as a fund of credit, under a government like that of France, I ſhall not here examine.

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But that a ſolid fund ſhould be provided, in one way or other, proportional to the actual deficiency of the annual ſupplies, and to what could not be raiſed within the year, for the uſes of the war, was, I think, entirely agreeable to principles.

This the miniſter had propoſed in the ſubvention, though perhaps the plan was too great; and the parliament, when they rejected the propoſal, ſenſible that the exigencies of the ſtate demanded a ſupply of money, propoſed in their turn, as an equivalent for the general ſubvention, to coin for 600 millions of notes, which were to have the ſanction of parliament for their fund of payment; but no proviſion of coin was made for the ready circulation of them in the interim.

Here then is an example where the ſentiments of the French nation were divided upon the principles of public credit. And this affords a good opportunity of reconciling them, and of confirming the doctrine we have been endeavouring to eſtabliſh.

The miniſter felt the diſadvantage of the King's borrowing upon a lame ſecurity; he therefore propoſed a ſolid and permanent fund of credit for performing the obligations to be contracted with the creditors.

The parliament, on the other hand, examined the ſituation of the people, who, they thought, were no longer in a capacity to pay the taxes already impoſed; and therefore concluded, that it was unneceſſary to eſtabliſh any new one. They therefore propoſed to augment circulation, by providing the means whereby alienations might be carried on, and by that they expected to render the taxes already impoſed more productive.

Both

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Both parties were in the right, as commonly is the caſe in ſuch diſputes; but they did not perceive how their opinions could be reconciled.

Had circulation been facilitated by the eſtabliſhment of a bank upon true principles, perhaps the taxes already impoſed, might have produced a ſufficient fund for carrying on the war, without the expedient of the general ſubvention.

But the manner propoſed by the parliament to increaſe circulation, by paying with paper money, and not providing a fund of coin for realizing it when it came to ſtagnate, was an expedient entirely deluſive. The paper would ſoon have fallen to a great diſcount: the remembrance of the Miſſiſippi would probably have been revived, which would have occaſioned the locking up of the coin; and the kingdom might have been involved in the greateſt diſtreſs and bankruptcy.

The miniſter ſhould therefore have concurred with the parliament in a ſcheme for eſtabliſhing a bank: the King might ſafely have entruſted the adminiſtration of it to the parliament, and even have ſupplied coin from the royal treaſury for circulating the paper. But the miniſter, I ſuppoſe, took it for granted, that taxes *would* be paid, provided they were impoſed; and the parliament, that the paper *would* circulate, provided it was iſſued.

The reaſonings I have aſcribed to each party in this diſpute, are not founded upon information: they are natural conjectures only which I form from the oppoſition of ſentiments between men who were all, I ſuppoſe, well acquainted with the ſituation of France, and who reſpectively took part according to the combinations which occurred to them.

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The remonſtrances of the parliament at that time were filled with an enumeration of diſtreſſes, all of which are the neceſſary effects of a ſcanty circulation. In the King's edicts there is ſtrong reaſoning upon the principles of public credit. The candour I feel in my breaſt, while I examine the merits of this important diſpute, will I hope ſerve as an apology for all miſtakes in point of exact information.

The reſult upon the whole was what might have been expected. The ſubvention was dropt, and the propoſal of the paper was rejected by the King.

The medium adopted by the two parties, ſhewed however, I think, that in the main the miniſter had been in the right; becauſe the taxes were increaſed and paid: had the paper been iſſued, the ſucceſs, I am perſuaded, would not have been favourable in proportion.

But inſtead of a permanent ſubvention, a tax of the moſt odious nature was eſtabliſhed, which, from this very circumſtance, there was little danger of ſeeing long continued.

In the preceding year, a ſecond twentieth penny upon poſſeſſions had been impoſed, to which had been added 2 ſhillings in the pound of the tax itſelf; a new poll-tax upon certain claſſes of the people in proportion to the number of their ſervants; an additional duty upon the ſtamps upon ſilver and gold plate; higher duties on foreign manufactures imported; and 20 *per cent.* on all former duties on conſumption. The ſecond twentieth was to continue until two years after the peace; the other duties for eight years longer.

Notwithſtanding this heavy load already laid upon pro-

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property, the parliament, rather than conſent to the ſubvention, agreed to impoſe a third twentieth penny upon poſſeſſions; and, to render this tax more productive, additional poll-taxes upon place-men, &c. were comprehended in the edict. Thus ended the diſpute; the miniſter was diſmiſſed, and the edict for the general ſubvention was withdrawn.

Beſides the ſecond and third twentieth penny, ſeveral augmentations of revenue were obtained during the laſt war, which I ſhall preſently mention, two of which, for their peculiarity, I ſhall briefly explain.

The clergy of France, ſtrongly preſſed by the King, ſupported by his parliaments, to give in a declaration of their income, in order to be taxed at ſo many ſhillings in the pound, like other ſubjects, after many evaſions, at laſt ſucceeded in diſappointing the ſcheme. They offered an extraordinary free gift equivalent to the two twentieths, to be paid annually until 1765; and this was accepted.

The ordinary free gift of the clergy is at the rate of a million and a half of livres a year; this they doubled and paid at the rate of three millions a year, which we may conſider as two ſhillings in the pound of all the clergy poſſeſs in France, which makes their revenue to be about thirty millions a year, and I believe it does not far exceed it.

The other branch of revenue is ſomething analogous to a circumſtance in the hiſtory of Engliſh taxes: it was called an extraordinary free gift to be paid by every corporation in France. Charles I. had a very exact valuation put upon all England, when he propoſed to levy ſhip-money. This was found ſo correct that it ſerved for a baſis to regulate the diſ-

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tribution of the ſum of 100,000*l.* a year paid to Charles II. for his courts of wards and liveries *.

In like manner the King of France had a very accurate eſtimate made of all France, when he formed his edict for a general ſubvention, which had pretty much the fate of the ſhip-money. And though the parliament refuſed their conſent to the great ſubvention, they agreed to eſtabliſh the epitome of it in Auguſt 1759: which ſee in the note †.

This tax, ſmall as it is, may be of infinite conſequence in times to come. The great difficulty of raiſing taxes is in the beginning; and if the levying

* Davenant's Ways and Means, Article of Monthly Aſſeſſments.

† This free gift was impoſed upon all cities, towns, boroughs, villages and ſuburbs, in France. And thoſe lying within the juriſdiction of every Intendant were joined in one ſum, leaving the reparation of them to theſe magiſtrates, as the cuſtom is.

For the generality of Amiens	153 300	
For the generality of Orleans	356 000	
For the generality of Paris	1 578 000	
For the generality of Chalons	200 900	
For the generality of Poitiers	265 200	
For the generality of Soiſſons	60 700	
For the generality of Tours	34 434	
For the generality of Rochelle	131 800	
For the generality of Bourges	105 600	
For the generality of Moulin	91 770	
For the generality of Riom	165 628	
For the generality of Lyons	397 454	
For the generality of Artois	150 000	
Sum total - -	3 690 786	£ 164 034 18 8 Sterling.

The duties impoſed by this arret are to be levied upon all claſſes of the people, nobility, commons, clergy, even nuns and monks; no exception is made except in favour of hoſpitals for their own conſumption only.

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of this trifle in every city, town, village, and ſuburb in France, be carefully conducted, with a view to ſubſequent augmentations, and if it be properly diſtributed upon every branch of conſumption and revenue, nothing will be ſo eaſy to the King as, by his own private authority, to enforce a gradual augmentation of it, and perhaps in time to abſorb in it, the whole, or at leaſt the greateſt part of the revenue of his kingdom.

Beſides the two twentieths, and the free gifts of the cities, ſeveral other taxes of leſs moment were either impoſed, renewed, or continued for a longer term, and then ſold for raiſing money for the ſervice of the year, viz.

Firſt, Five years of the free gift of the clergy of France, amounting to 15 millions, were paid down at once by that body.

Secondly, That of the clergy of Alſace, paid in the ſame way, for the ſame term, produced 3 millions.

Thirdly, A duty on firewood, &c. in the city of Paris, valued at 3 400 000 a year, ſold for 7 years, for 10 millions.

Fourthly, Another duty upon the conſumption of eggs, butter, &c. valued at 2 400 000, ſold for 15 years for above 30 millions.

Fifthly, A like ſum got from the farmers general, for allowing them to raiſe the price of their tobacco 10 *per cent.* for 10 years. The annual amount of this I do not know.

Sixthly, And in the laſt place, the third twentieth penny, which produced 36 270 000 a year, was ſold

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fold for the two years for which it was impoſed, for 60 millions.

Thus, of all the impoſitions raiſed during the laſt war, the ſecond twentieth, and an epitome of the ſubvention raiſed in all cities, towns, villages, and ſuburbs, in France, remained unalienated.

In order to throw all the light I poſſibly can upon the preſent ſtate of that nation, I ſhall next briefly recapitulate the extent of the annual ſupplies raiſed for the ſervice of the different years of the war, from 1756 to 1762 incluſive; in which I ſhall point out, as well as I can, how this third branch of revenue was appropriated.

It is in this manner only I can communicate to the reader what I can gueſs concerning the preſent ſtate of that nation. Could we know, as with us, the amount of taxes, and outſtanding debts at every peroid, this detail would be unneceſſary.

The extraordinary grants of 1756, amounted to 121 millions, 5 377 777*l.* ſterling.

In October 1755, the farms of almoſt all the taxes were renewed. Upon ſuch occaſions it is uſual for the farmers to advance ſums in proportion to the extent of their farms, for ſecurity of the leaſe; for which advances the King, at that time, allowed them an intereſt out of their yearly farm-rent of 5 *per cent.* and the ſums advanced were appropriated for the ſervice of the year 1756. Here follow the ſums advanced upon the ſeveral farms:

1. Upon

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	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
1. Upon the general farms, after repaying what had been advanced upon the former leaſe, nett into the royal treaſure - -	40 000 000	1 777 777	15	6½
2. Upon the farm of the poſts of France - -	3 000 000	133 333	6	8
3. Upon the farm of the ſtamps upon leather -	1 000 000	44 444	8	10½
4. Upon the farm of the *paulette* - - -	1 000 000	44 444	8	10½
5. Upon the farm of duties on gun-powder and ſalt-petre - - -	1 000 000	44 444	8	10½
6. The farm of the market of Poiſſi was ſold for ſeven years, for - -	15 000 000	666 666	13	4
This ſum was the price of the total alienation of the duties collected in that market for the whole time; which duties ſhould be marked as a branch of revenue; but as the annual amount of them cannot be aſcertained, it is here thrown in as an extraordinary means of ſupply ariſing from the ſale of a tax.				
7. Beſides theſe caſual ſupplies from the new farms, there was levied this year for the ſale of five years' revenue of the free gift of the clergy of France, to 1761 excluſive - -	15 000 000	666 666	13	4
Carry over -	76 000 000	3 377 777	15	6

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	Fr. money. *Livres.*	Sterling ditto. *l.* *s.* *d.*
Brought over -	76 000 000	3 377 777 15 6
8. And for that of Alſace	3 000 000	133 333 6 8
9. Raiſed by a lottery, for which the annual ſum of 3 800 000 was ſet apart for 11 years - -	32 000 000	1 422 222 4 5½
10. And for the ſale of the duties upon firewood, &c. in Paris, for 7 years -	10 000 000	444 444 8 10½
Total extraordinary ſupplies for 1756 - -	121 000 000	5 377 777 15 5½
The ſupplies for 1757, amounted to 136 millions £ 6 044 444 ſterling.		
1. Two lotteries, for which were appropriated, for the firſt, 3 800 000 during 12 years; and for the ſecond, 4 000 000 during 11 years. Theſe ſums were annually to be drawn, and paid every year; for which was paid to the King, for the firſt, 36 millions; for the ſecond, 40 millions together - - - -	76 000 000	3 377 777 15 6½
2. The ordinary revenue was charged with 6 millions of life annuities, at 10 *per cent.* ſold for -	60 000 000	2 666 666 13 4
	136 000 000	6 044 444 8 10½
The ſupplies for 1758, amounted to 135 millions, £ 6 000 000 ſterling.		

1. The

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	Fr. money. *Livres.*	Sterling ditto. *l.* *s.* *d.*
1. The first was a loan of 40 millions, upon a perpetual annuity of 5 *per cent.* proposed to be paid off by way of lottery, at the rate of 3 200 000 yearly -	40 000 000	1 777 777 15 6½
2. The King obliged those who have hereditary offices proportionally to purchase additional salaries, to the extent of 1 million a year, at the rate of 20 years purchase, or forfeit what they had - -	20 000 000	888 888 17 9½
3. The additional 10 *per cent.* upon the price of tobacco, was sold this year to the farmers, for -	30 000 000	1 333 333 6 8
4. The ordinary revenue was charged with 3 600 000 livres, life-annuities, upon two lives, at 8 *per cent.*; sold for the sum of -	45 000 000	2 000 000 — —
	135 000 000	5 999 999 19 11½
The supplies for 1759, amounted to upwards of 194 millions £.8 652 923 sterling.		
1. The first supply for this year was the epitome of the general subvention, called an extraordinary free gift from all the cities, towns, burgs, villages, and suburbs in France - - -	3 690 786	164 034 18 8
2. 3 600 000 livres of perpetual annuities, bor-		

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BOOK IV.

	Fr. money. *Livres.*	Sterling ditto. *l.* *s.* *d.*
Brought over -	3 690 786	164 034 18 8
rowed upon the general farms, at 5 *per cent.* until reimburſement, ſold for -	72 000 000	3 200 000 — —
Theſe are called the contracts upon the farms; each one thouſand livres capital.		
3. The free gift of the clergy, for five years from 1762 incluſive, ſold at once for - - - -	16 000 000	711 111 2 2½
4. The ſecond twentieth penny produced for this year - - -	35 000 000	1 555 555 11 1½
5. Sold to the magiſtrates and heads of colleges in ſome towns in Flanders, ſome branches of their own taxes, for - -	8 000 000	355 555 11 1½
6. The ordinary revenue was charged with 3 millions of annuities, called *tontines*, ſold for - -	60 000 000	2 666 666 13 4
	194 690 786	8 652 923 16 5

The ſupplies for 1760, amounted to above 251 millions, £. 11 186 430 ſterling.

1. The Paris-duties above mentioned ſold for 15 years - - -	30 283 900	1 345 951 2 2½
2. The 3d ſhilling in the		

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CHAP. VI.

	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Brought over -	30 283 900	1 345 951	2	2½
pound ſold for two years, for - - -	72 340 000	3 215 111	2	2½
3. The 2d ſhilling produced this year - - - -	35 000 000	1 555 555	11	1½
4. Raiſed by perpetual annuities, at 3 *per cent.* ſecured on the King's ordinary revenue * -	60 000 000	2 666 666	13	4
5. The free gift of the cities, &c. - -	3 690 787	164 034	19	6½
6. By a lottery at 5 *per cent.* where the diſcredited paper (the payment of which was ſtopt, when the ſinking fund was ſhut up in 1759) was taken in payment for one half, was raiſed - -	50 000 000	2 222 222	4	5½
7. Borrowed from the officers of the town-houſe of Paris, at 5 *per cent.* ſecured on the ordinary revenue - - -	380 000	16 888	17	9½
	251 694 687	11 186 430	10	7½

The ſupplies for 1761, exceeded 120 millions, £. 5 364 034 ſterling.

* When the bad conſequences of ſhutting up the ſinking-fund were diſcovered, the King opened ſubſcriptions, ſuch as were the *tontines* of the laſt year, this of 60 millions, and one the next year of 30 millions; in which the diſcredited paper was received, in part of payment of the ſum. This I ſuppoſe is the reaſon why the ſupplies of 1759 and 1760 appear ſo high, and alſo why money appears to have been borrowed at ſo low a rate as 5 *per cent.* upon *tontines*, and 3 *per cent.* on article 4th of this year; becauſe the intereſt of that part only which was paid in ſpecie is ſtated; not the intereſt upon the diſcredited paper ſubſcribed, which was paid out of the firſt twentieth.

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BOOK IV.

	Fr. money. *Livres.*	Sterling ditto. *l.* *s.* *d.*
1. Charged upon the ordinary revenue, 200 000 livres a year upon lives and other annuities, at 10 *per cent.* in favour of the order of the Holy Ghoſt, ſold for - -	2 000 000	88 888 17 9½
2. Borrowed on the duties upon leather, at 3 *per cent.* - - - -	30 000 000	1 333 333 6 8
Theſe were the annuities which were ordered to be reimburſed after the peace of 1763, at 20 years purchaſe; and which, I ſuppoſe, had been ſubſcribed for, partly, in diſcredited paper.		
3. Charged on the ordinary revenue, 4 millions a year, for annuities at 8 *per cent.* upon two lives, ſold for - - -	50 000 000	2 222 222 4 5½
	82 000 000	3 644 444 8 10½
4. Beſides theſe ſums, there was the amount of the 2d twentieth, and the ſmall ſubvention, or free gift, which continued to be applied to the current ſervice, as they had not been ſold off; *inde* -	38 690 787	1 719 590 10 8
Total -	120 690 787	5 364 034 19 6½

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	Fr. money. *Livres.*	Sterling ditto. *l.* *s.* *d.*
The ſupplies for 1762, exceeded 159 millions, £. 7 076 923 ſterling.		
1. The farms which had been let in 1755, came to be again renewed this year; from which aroſe a ſum for the ſecurity of them of - - -	83 209 000	3 697 777 15 6½
2. There was no borrowing this laſt year of the war. The ſecond twentieth, which never had been ſold; the third twentieth, which this year became free, as it was impoſed anew for two years more; and the little free gift by all the towns of France; made together an additional ſum of -	76 030 787	3 379 146 1 9½
	159 230 787	7 076 923 17 4½

Recapitulation of the extraordinary expence of the ſeven years of the war*.

	Fr. money. *Livres.*	Sterl. ditto. *l.*
For 1756 - -	121 000 000	5 377 778
For 1757 - -	136 000 000	6 044 444
For 1758 - -	135 000 000	6 000 000
For 1759 - -	194 690 786	8 652 924
For 1760 - -	251 694 687	11 186 431
Carry over -	838 385 473	37 261 577

* The Sterling money, in this recapitulation, is reduced to the neareſt integer, neglecting fractions of a pound.

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	Fr. money. *Livres.*	Sterling ditto. *l.*
Brought over -	838 385 473	37 261 577
For 1761 - -	120 690 787	5 364 034
For 1762 - -	159 230 787	7 076 924
Total -	1 118 307 047	49 702 535

Having gathered together, from the beſt information I can, the amount of all the extraordinary ſupplies raiſed in France, for the ſervice of the laſt war, let us ſuppoſe, that at the peace, no part of any capitals borrowed had been paid off, according to the plan laid down for that purpoſe at the time of contracting. Let us ſuppoſe, I ſay, that all the lottery funds and life-annuities, as well as thoſe annuities which were intended to be paid off by way of lottery, ſtood at their full extent, without diminution, at the peace, and then calculate what ſum of additional debt ſhould have remained upon France in conſequence of the war.

As for the ſums raiſed, either upon renewing the farms of the revenue, the amount of new taxes impoſed, or ſuch branches of them as were ſold at once for a ſum of money, they remain no debt upon the King; and are therefore to be conſidered (as they really were) extraordinary reſources drawn from the people, without any recourſe to credit or borrowing.

	Fr. money. *Livres.*	Sterling ditto. *l.* *s.* *d.*
Theſe ſums collected from the above ſupplies, and laid together, amount to	520 926 948	23 152 308 16 —

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	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Let us then ſtate the whole of the ſupplies as above	1 118 307 047	49 702 535	—	—
And from thence deduct the extraordinary reſources drawn from the people, as above, to wit	520 926 947	23 152 308	16	—
There will remain a capital of borrowed money	597 380 100	26 550 226	4	—
Of this the life-annuities (charged upon the ordinary revenue) form a capital of	217 000 000	9 644 444	8	10½
The lotteries form a capital of	108 000 000	4 800 000	—	—
And the perpetual annuities, a capital of	272 380 100	12 105 781	15	6½
In all, as above	597 380 100	26 550 226	4	5

Let us next ſee the amount of annual payments for diſcharging either the capital or the intereſt.

	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
For the life annuities until extinguiſhed, paid out of the ordinary revenue	16 200 000	720 000	—	—
To diſcharge the lottery fund, in 12 years at moſt	11 600 000	515 555	11	1½
Suppoſe the perpetual annuities all at 5 *per cent.*; *inde*	13 619 000	605 288	17	9½
Annual ſum of intereſt	41 419 000	1 840 844	8	10½

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Let me now draw up a ſtate of the taxes raiſed for defraying the expences of this war. In this I ſhall comprehend ſuch articles only as exiſted at the peace, unfold: as for the others, we may conſider them merely as expedients for raiſing money for the current ſervice; but which, in time to come, may ſerve to augment the revenue.

THIRD GENERAL BRANCH.

	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
1. The 2d twentieth, never alienated - - -	35 000 000	1 555 555	11	1½
2. The 3d twentieth, impoſed for the years 1762 and 1763, not alienated	30 000 000	1 333 333	6	8
3. The free gift of the cities, towns, &c. never alienated - - -	3 690 786	164 034	18	8
	68 690 787	3 052 923	16	5½

Let me now proceed to the fourth general branch of taxes, or of money raiſed upon the people of France: firſt, To the profit of the farmers: ſecondly, Towards defraying the expence of collecting the three foregoing branches of revenue, which amount to about 403 millions: And thirdly, To pay what is appropriated to certain purpoſes within the country, here to be ſpecified.

FOURTH

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FOURTH GENERAL BRANCH.

	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
1. First then, the net profits of all the farmers of the revenue are calculated to amount to about -	17 240 000	* 766 222	4	5½
2. The expence of levying all the revenue is calculated to amount to about 10 *per cent.* of the whole; *inde* - - -	40 300 000	1 791 111	2	2½
3. There is a revenue appropriated for keeping up the water-works at all the royal palaces -	1 200 000	53 333	6	8
And to the invalids, St. Cir, and the *hotel militaire*	7 300 000	324 444	8	10½
There are taxes imposed for clothing the militia, to the amount of - -	3 800 000	168 888	17	9½
All the towns in France have particular branches of taxes appropriated to themselves, for pavement, buildings, &c. and for maintaining the police; which amounts to -	15 000 000	666 666	13	4
And the duties levied in the courts of law for sentence money, emoluments to the judges *(epices)*, and expence of registrations, the vast sum of -	27 000 000	1 200 000	—	—
	111 840 000	4 970 666	13	3½

For-

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Formerly, all the officers of the courts of juſtice had ſalaries paid out of the King's revenue. Theſe were inſenſibly diminiſhed in every reign, and thoſe court-fees were augmented in order to fill up the void; from which the greateſt oppreſſion enſues.

If to the ſum in this laſt article we add 22 millions above ſtated as a charge upon the ordinary revenue for ſalaries to firſt preſidents, &c. and other expences of the law, we ſhall find that the article of juſtice alone coſts near 50 millions of livres, a year, to the public. The greateſt part of this ſum ſhould be conſidered as the intereſt of money borrowed by the Kings of France, the capitals whereof are ſtill outſtanding; and if the capitals were paid off, a great augmentation of income would ariſe from it. But the bad footing upon which their credit ſtands, renders even this burden expedient on ſome occaſions; becauſe the King can oblige all thoſe who have ſuch hereditary offices, to lend money upon an augmentation of their ſalaries.

To conclude this enormous catalogue of taxes paid by the kingdom of France, we muſt not omit the laſt branch, which comprehends the heads following:

FIFTH GENERAL BRANCH.

	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
1. What is paid for bulls, diſpenſations, baptiſms and burials, to the pope, biſhops, and inferior clergy, very near - -	10 000 000	444 444	8	10½
Carry over -	10 000 000	444 444	8	10½

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	Fr. money: *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Brought over -	10 000 000	444 444	8	10½
2. For the ſupport of hoſpitals, a ſort of poor's rates - - -	11 500 000	511 111	2	2½
3. To branches of impoſitions, of various kinds, belonging to private people, peers of France, governors of provinces, and officers of all the royal juriſdictions within the kingdom - - -	20 000 000	888 888	17	9½
	41 500 000	1 844 444	8	10½

General recapitulation of all the money raiſed in France by public authority, for whatever purpoſe employed.

	Fr. money, *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
1. The King's ordinary revenue as it ſtood at the peace 1762 - -	282 300 000	12 546 666	13	4
2. The extraordinary revenue raiſed at the peace 1748 - - -	52 338 000	2 326 133	6	8
3. The extraordinary revenue raiſed on account of laſt war, and for the payment of debts then contracted, not ſold at the peace - - -	68 690 787	3 052 923	17	4
4. The expence of raiſing the taxes, and emoluments of the farmers,				
Carry over -	403 328 787	17 925 723	17	4

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	Fr. money. *Livres.*	Sterling ditto. *l.*	*s.*	*d.*
Brought over - with other branches perpetually appropriated for defraying regular expences - - - -	403 328 787	17 925 723	17	4
	111 840 000	4 970 666	13	4
5. Taxes paid to the church, poor, and private perſons	41 500 000	1 844 444	8	10½
Sum total raiſed annually in France	556 668 787	24 740 834	19	6½
Charges or appropriations of it.				
1. Charges upon the ordinary revenue *per* liſt above - - - -	236 050 000	10 491 111	2	2½
2. Ditto upon the ſecond general branch *per* ditto	55 690 000	2 475 111	2	2½
3. Ditto upon the third general branch for lotteries and perpetual annuities conſtituted during the war: the life-annuities being already charged in article 1ſt - - -	25 219 000	1 120 844	8	10½
4. Ditto upon the fourth general branch totally exhauſted; *inde* - -	111 840 000	4 970 666	13	4
5. Ditto upon the fifth general branch ditto -	41 500 000	1 844 444	8	10
There remains (unappropriated) for all extraordinary expences of ſtate, which completes the ſum total of what is raiſed in France - - -	86 369 787	3 838 657	4	—
	556 668 787	24 740 834	19	6

In

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In this light does the ſtate of the French affairs appear from the ſketch I have been able to give of it.

Had the ſum of 86 millions, remaining as unappropriated at the peace, been any way ſufficient for paying off claims which have not appeared upon the ſtate we have given, and for all extraordinary expences, the credit of France would not have been ſo low as it then was, and ſtill continues to be.

The expence of a kingdom muſt conſtantly exceed the amount of all regular and permanent income.

At the end of a war what great ſums of debts unprovided for are conſtantly found! Taxes alſo, when ſtretched as they were, and impoſed in ſo great a proportion upon poſſeſſions, in reſpect of what was raiſed upon conſumption, muſt always diminiſh in their produce; but the expence and charges never fall ſhort. This is more eſpecially the caſe in a country where paper credit is not eſtabliſhed.

The conſtant complaints for want of money to carry on circulation in the time of war, is a proof of it. When peace returns, and money is kept at home, then all taxes are readily paid in France, and half the burden of them is not felt, although they be more productive than before.

As I ſaid in ſetting out, I do not pretend that the account I have given of this dark affair, is in any degree ſo correct as to ſatisfy a French miniſter; but it is a rough ſketch, which contains the general ſtate of their affairs; and if it be worth any man's while, who is better informed, he may correct it, and thereby bring on a farther inquiry into the true ſtate of the queſtion.

What

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What intereſt a nation, which is not in an actual ſtate of bankruptcy, can have in concealing its affairs, I cannot find out. Is it not then greatly the intereſt of a mighty kingdom, which poſſeſſes ſuch amazing reſources, to expoſe its ſituation in a fair light to the world, to which it muſt, upon all occaſions, have recourſe for aſſiſtance in point of credit?

Of the many branches which compoſe this great national revenue of above 550 millions, there are ſeveral articles which muſt of neceſſity be cut off, as ſoon as the debts can be brought into a regular form. The double poll-tax is moſt oppreſſive on the poorer ſort, and therefore was impoſed for a time only: the three twentieths, as they are levied, are no leſs ſo upon the higher claſſes of the people.

Theſe four articles amount, however, to 116 millions. If we deduct this from the revenue, as we have ſtated the account of it, it will not only exhauſt the balance of 86 millions, but it will create a deficiency, upon the whole, of 30 millions, which can only be compenſated by diſcharging a correſponding part of the burden of debts, while thoſe branches do ſubſiſt.

But then the ſame reſources are open upon every new emergency; and as they have now begun to be collected, they will be more eaſily paid at another time.

Beſides, what an acquiſition will be made to the revenue by the extinction of 16 millions of life-annuities, and by the expiration of ſo many anticipations of taxes for terms of years!

On the other hand, it is not to be ſuppoſed that the King will continue to demand of the clergy, above

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above 1 500 000 livres a year, or one ſhilling in the pound upon their benefices. This body is becoming daily more and more indebted, by the practice introduced of late, of making payment of their free gifts to the King, by borrowing the money, inſtead of paying every one his proportion out of his benefice. This in time may oblige them to accept of penſions inſtead of their benefices, and to make over their revenue in tithes to the King: they will, at leaſt, in one way or other, become entirely at his mercy, and at that of their own creditors. CHAP. VI.

Before I conclude, I muſt ſay a word concerning the method of levying the taxes in France.

The moſt general diſtribution I can make of this, is to reduce it under four principal heads.

The firſt comprehends the general *receptes*; to wit, the *taille*, or land-tax, the *capitation*, or poll-tax, and all the twentieths. Theſe are adminiſtered by the intendants of the provinces, who both make the diſtribution of them upon the ſubjects, and who levy them by officers under their direction; and for the expence of levying, is ſuperadded to the taxes, 10 *per cent.* upon the whole. When they are collected, they are paid to the receivers general at Paris, who deliver them in, and account for them to the royal treaſury.

The ſecond comprehends all the taxes which are farmed. The farmers are veſted with the King's authority for raiſing, according to certain regulations, the duties let to them; and as they are obliged to keep open books, the expence of management is known, and at every new leaſe a reaſonable profit is allowed to them over and above.

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The third branch comprehends all free gifts of determinate ſums of money, impoſed according to certain regulations preſcribed to thoſe bodies politic who pay them; into which may be comprehended all taxes upon the clergy; becauſe they levy them themſelves.

The fourth comprehends retentions which the King makes out of the ſalaries he pays. This needs no explanation.

What farther obſervations may be made on this head will find a place when we come to ſpeak of taxes.

CHAP. VII.

Comparative View of the Revenue, Debts, and Credit of Great Britain and France.

IN comparing the ſtate of credit in the two nations, I muſt firſt obſerve, that it is not ſo eſſential to compare the *extent of the revenue* of both countries, as the *reſources* they have for obtaining extraordinary ſupplies in caſe of need.

Whatever be the permanent revenue of a ſtate, we may be very certain that the exigences of it will be in proportion; and whenever any extraordinary expence is to be incurred, it muſt be provided for by extraordinary means.

In examining the ſtate of Great Britain and France, we have found this obſervation verified. If the expences of the year do no more than abſorb the revenue of it, and if the ſinking funds appropriated

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ated for paying off incumbrances be properly applied, the ſtate has no reaſon to complain.

This diſtribution evidently points out how neceſſary it is not to confound thoſe branches of revenue which are appropriated to ſtate expences, with thoſe which ought to be ſet apart for the payment of debts and intereſt. This however I apprehend is too much neglected in both kingdoms.

If times of tranquillity be not made uſe of, to diſengage thoſe funds which neceſſity had opened, it cannot be denied, that future exigences muſt then ſeek for a ſupply, from reſources as yet undiſcovered.

That nation, therefore, which has certain branches of revenue lying dormant in time of peace, has the advantage in point of reſources.

In this reſpect the advantage hitherto has lain on the ſide of France; ſhe has had her *dixiemes*, *vingtiemes*, and double poll-tax, which have never been impoſed except in caſes of neceſſity.

But on the other hand, Great Britain has a noble and opulent branch of permanent taxes, which compoſes her ſinking fund. Were this employed in times of peace, as it ought to be, it would prove in time of war a more ready fund of credit than any France can boaſt of.

Thoſe extraordinary reſources of France cannot be mortgaged. They are ſupplies for the current ſervice; but they are no fund of credit. Whereas the ſinking fund of Great Britain is always ready in the mean time to ſupply urgent demands. While this ſubſiſts, there is no danger of being obliged to break faith with the public creditors, upon a demand for a million and a half ſterling, as was the

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caſe with France in 1759. The one reſembles a credit in bank; the other the rents of a great eſtate. The ſinking fund affords time to raiſe new ſupplies, in proportion to the debts contracted; and if theſe, when new, and raiſed in time of war, prove ſufficient to anſwer the intereſt of the loan, they will probably do more as they continue to be levied, and upon the return of peace.

One very remarkable difference between the ſtate of credit in the two nations is, that in Britain the object of attention is the rate of intereſt; in France it is the ſpeedy repayment of the capital. The great care of a Britiſh miniſter is to ſupport the price of the funds: the meaning of which is, to keep the intereſt of money low. Did not the price of the funds regulate the rate of money, the ſtate would be nowiſe concerned in the price of them.

Now the credit of Great Britain is ſo firmly eſtabliſhed, that ſhe may command money at all times, provided ſhe will give the intereſt required.

The caſe is totally different in France. Her credit is not well eſtabliſhed; that terrible Miſſiſippi-monument, of near a thouſand millions, ſtanding fixed upon the ordinary revenue to this day at 2½ *per cent.* firſt reduced from the moſt exorbitant intereſt, by ſucceſſive acts of power, after the late King's death, and afterwards from a moderate intereſt of 4 *per cent.* to 2½ *per cent.* in the year 1720, is reaſon ſufficient to deter monied men from lending to France upon perpetual intereſt.

In borrowing upon life-annuities at 10 *per cent.* and upon lotteries at nearly the ſame rate, for 11 or 12 years, France obtains credit for large ſums.

She

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She alſo borrows with tolerable ſucceſs at 5 *per cent.* when there is a lottery-clauſe put in, which ſtipulates a large ſum to be annually paid for extinguiſhing the capital. The reaſon is; becauſe ſhe is more punctual to ſuch engagements: they remain conſtantly under the eye of the public: the ſtock-holders conſider their money as conſtantly coming in; and any interruption in the payment gives a general alarm. But when funds are ſettled at perpetual intereſt, people loſe ſight of the capital altogether. The contracts by which they are commonly conſtituted, are not ſo eaſily transferred as other funds: in a word, it is not the taſte of the French nation to lend their money in this way, and far leſs the taſte of ſtrangers; and the reaſon is this; as matters have hitherto been conducted, it has by no means been their intereſt.

Before the commencement of the late war, no ſecurity in France was looked upon as better than the actions of the company of the Indies. This was a fund of perpetual intereſt. They brought in to purchaſers little more than 4 *per cent.* and every body wiſhed to have them. Every action bore a dividend of eighty livres a year; and the action itſelf ſold from eighteen to nineteen hundred livres. The war had not laſted four years, when the dividends were reduced to one half, and the capital fell to about 700.

In ſhort, all perpetual funds in France, whether upon government or company-ſecurity, are very precarious; and while this is the caſe, we may conclude that the credit they are built on is precarious alſo.

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CHAP. VIII.

Contingent Conſequences of the Extenſion of Credit, and Increaſe of Debts.

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HAVING applied the principles of public credit to the ſtate of facts in Great Britain and France, ſuch as I have been able to collect them, I muſt obſerve, that all ſhort ſketches of this kind are intended principally to ſatisfy a general curioſity which mankind has, to know a little of every thing: and although they may appear ſuperficial and incorrect, to perſons thoroughly inſtructed in thoſe matters, they ſtill ſerve our purpoſe; which is merely to take them as ſomething approaching nearer to truth than bare ſuppoſitions can do; and in this light they ſufficiently anſwer the purpoſe of illuſtrating the ſubject we are upon.

I now proceed to inquire what may be the conſequences of this mighty change produced upon the policy of induſtrious and trading ſtates, from the eſtabliſhment of credit, debts, and taxes.

I have, from the very beginning of this inquiry, occaſionally taken notice of the influence which ſuch a change muſt make upon the ſpirit and manners of a people. The lower claſſes, who are ſlow in forming combinations, do not ſoon comprehend the neceſſary conſequences of ſuch revolutions. Even miniſters have been often at a loſs to judge of the conſequences which might follow upon ſome ſteps of their own conduct relative thereto, although taken upon mature deliberation.

When public credit is employed for raiſing money upon a plan of refunding the capital, either by uniform

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form annual payments exceeding the intereſt, or by funds eſtabliſhed for ſinking the capital, no contingent conſequences can happen, provided the plan be executed: the debts contracted will be paid, and matters will return to their former ſtate.

When public credit is employed for raiſing money upon payment of a perpetual intereſt; or if, whatever be the plan laid down, capitals ſhould not happen to be diſcharged, but the debts ſhould ſwell continually; in this caſe, the contingent conſequences are many and various, far exceeding any man's ſagacity to inveſtigate.

If we judge of them from what paſt experience has taught us, we may conclude, that, in one way or other, all debts contracted will in time diſappear, either by being paid, or by being aboliſhed: becauſe it is not to be expected that poſterity will groan under ſuch a load any longer than it is convenient; and becauſe in fact we ſee no very old public debts as yet outſtanding, where intereſt has been regularly paid out of a fund which has remained in the poſſeſſion of the ſtate.

This is a very rational concluſion from paſt experience; but it is relative only to the circumſtances of paſt times. While the debtors are the maſters, there is no difficulty of getting clear of debts: but if the conſequence of this new ſyſtem ſhould be to make the creditors the maſters, I ſuppoſe the caſe may be different. Farther,

In former times public debts were contracted between the ſtate and its own ſubjects; but at preſent we ſee that in ſuch loans, foreigners, even enemies, are invited to concur: and the better to engage them

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to it, a total immunity is promiſed from all taxes upon the intereſt to be paid by the borrowers.

This circumſtance has already drawn the attention of Princes, in the diſcuſſion of their reciprocal concerns. We ſaw how, in the treaty of Dreſden, which took place after the King of Pruſſia's invaſion of Saxony in 1745, it was provided by the 6th article, that all debts due by the bank of the *Steuer* to that Prince's ſubjects, were to be paid, on preſentation of their contracts.

We have not indeed as yet ſeen wars carried on for the payment of debts; but the caſe may happen, and kingdoms may be carried off upon ſuch pretenſions, as well as private property. What a chain of contingent conſequences ariſes from this ſingle combination, were this a proper place to introduce them!

But without going to the ſuppoſition of Princes or nations becoming reciprocally engaged in debts, and thereby involving ſuch mighty intereſts in the ſupport of public faith, we may eaſily conceive, that a monied intereſt, of a long ſtanding, may have influence enough to produce a change upon the ſpirit and manners of a people.

Let me here take the example of Great Britain. Do we not ſee how the ſpirit of that nation is totally bent upon the ſupport of public credit? And do we not ſee how abſolutely their commercial intereſt depends upon it? Can it be ſuppoſed, that every one has combined all the conſequences which may flow from the conſtant ſwelling of their debts? Or, indeed is it poſſible to determine what will be the conſequences of them? This however we may ſuppoſe at leaſt, becauſe we ſee the progreſs of it already,

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ready, that the intereſt of the creditors will daily gather ſtrength, both in parliament and without doors: and if from ſmall beginnings it have arrived at the pitch we now ſee, it is very natural to conclude, that, in time, it may become ſtronger, and that at laſt, the creditors of the nation may become the maſters of it.

When any one intereſt becomes too predominant, the proſperity of the ſtate ſtands upon a precarious footing. Every intereſt ſhould be encouraged, protected, and kept within due bounds. The following ſpeculations are intended for the application of principles to new and unexperienced combinations; where natural cauſes *may* work their direct and immediate effects, and thereby prove prejudicial to the general welfare, unleſs they be foreſeen in ſome degree, and proper remedies be prepared againſt them.

Europe was poſſeſſed by our anceſtors free from taxes; our fathers ſaw them impoſed, and we now ſee how faſt they become mortgaged for our debts. We can as little judge of the extent of our credit, as they could of the poſſibility of contributing ſo large a fund for the ſupport of it.

As the plan of impoſing taxes has been extended, we ſee the public coffers every day receiving a vaſt flux of money, and like the heart in the human body, throwing it out again into circulation. Happy ſtate, could it be laſting, and were this flux and reflux preſerved in a due proportion to all the uſes for which it is intended! But ſtates have their vices, as well as private people. Public opulence ſhould be proportioned to public exigences: but how often do we ſee ambition putting on the face of public

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ſpirit, and animating the reſentment of a nation, under colour of providing for her ſecurity? Hence wars, from wars expence: recourſe is had to credit, money is borrowed, debts are contracted, taxes are augmented; all this increaſes circulation, which demands a ſupply of currency: this is procured by melting down the ſolid property. Theſe operations performed, the public money is either ſent abroad, or remains at home. If ſent abroad, more property muſt be melted down, in order to fill up the void. If it remain at home, it will animate every branch of circulation; and when the exigence, which required this additional quantity of money, is over, what circulation finds ſuperfluous, will ſtagnate in the hands of the monied intereſt, and will either form a fund for the filling of new loans to government, or it will be laid out in the purchaſe of the property formerly melted down, which produced it; and thereby will be conſolidated a-new.

Every intereſt in a ſtate muſt influence the government of it, in proportion to its conſequence and weight; and every government muſt influence the ſpirit of the people who live under it.

Now, as we have ſeen how induſtry creates wealth; how wealth and confidence create credit; how credit creates debts and taxes; how theſe again occaſion an augmentation of money, by the melting down of property; and how this property becomes transferred to a new ſet of men, once the monied intereſt, who afterwards acquire the lands, and conſolidate this quantity of money which is become ſuperfluous to circulation; does not this chain of conſequences repreſent a kind of circle, returning into

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into itſelf? And is it not plain, that without the intervention of this engine, namely the money created in proportion to the demand for it, the chain would be cut off, before it could reach the link from which it firſt ſet out? Will not this converſion of the former monied intereſt into a new landed intereſt, inſenſibly inſpire the bulk of the landlords with ſentiments analogous to a monied intereſt? Is not this evidently more and more the caſe every day in England? And from this may we not prognoſticate the ſolidity of public credit in that nation?

If on the other hand we find, as in France, induſtry in times of peace drawing wealth from other nations, and thereby increaſing the coin, upon which alone credit is circulated through the kingdom; and then foreign expence ſending it away in times of war; muſt not circulation keep pace with the coin, that is to ſay, be circumſcribed within the proportion of it?

If the ſolidity and extent of the King's free revenue ſhould afford credit to borrow this coin; and if, without providing a proportional ſupply of currency to fill up the void, the coin borrowed be ſent out of France; how can the ordinary circulation be carried on?

Let us here recal to mind what was ſaid in the 22d chapter, upon banks, where we diſtinguiſhed *voluntary* circulation, which is buying, from *involuntary* circulation, which is paying: we there obſerved how *paying* muſt always take place of *buying*; conſequently, we may here determine that taxes muſt be paid before buying, that is conſumption, can go on. The deficiency therefore of coin for circu-

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circulation, will, firſt, proportionally affect the trade, manufactures, and conſumption of France, and afterwards the revenue which ariſes from them. Is not this the conſtant complaint in France, when war carries off their coin? The remonſtrances of all their parliaments are filled with it.

In times of peace, the amount of what comes from the people is greater than in time of war: but then there is coin ſufficient for all the payments; and when they are made to the royal treaſury, they immediately return into circulation, and no hurt is felt.

I inſiſt the more upon this principle, and I introduce it in ſo many different ways, and under ſuch a variety of views, becauſe I take it to be one of the moſt important conſiderations in the whole doctrine of credit, and one which I have never ſeen ſuggeſted by any French or Engliſh writer upon this ſubject. Many are the complaints for want of money; but no method have I ever ſeen propoſed for obtaining it from ſolid property; the eaſieſt and ſafeſt of all operations, when conducted with honeſty, and according to principles.

As money therefore is the means of cloſing the chain of conſequences already mentioned, and forming it into a circle, as has been ſaid, we plainly ſee how, when it is wanting, the ſame effects cannot be produced; and conſequently the country of France, where money is confined to the coin, will be very long of adopting the ſentiments of a monied intereſt; whether for its profit or its loſs, in the end, is not here the queſtion.

We have now traced the contingent conſequences of

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of public credit as far as to ſhew how it *may* tend to influence the ſpirit of a people, and make them adopt the ſentiments of a monied intereſt.

The allurement of acquiring land-property is very great, no doubt, eſpecially to monied men. The eaſe and affluence of thoſe, on the other hand, who have their capitals in their pocket-books, is very attracting to the eyes of many landlords, eſpecially at a time when they are paying the heavy taxes laid upon their poſſeſſions.

The firm eſtabliſhment of public credit tends greatly to introduce theſe reciprocal ſentiments of good-will among the two great claſſes of a people, and thereby to preſerve a balance between them. The monied intereſt wiſh to promote the proſperity of the landlords; the landlords, the ſolidity of credit; and the well-being of both depends upon the ſucceſs of trade and induſtry.

Let us now ſuppoſe what is actually the caſe in Great Britain, that from the ſwelling of public debts an enormous fund of perſonal property is created. This is formed out of the income of the whole nation; and as it has been purchaſed by thoſe who have lent money to the ſtate, in common language it is included in what we call the monied intereſt: it is however very diſtinct from it, as will be underſtood from what is to follow.

The capital of the public debts is the price which has been paid for the annuities due to the creditors, and is now no more money to them than land is money to the landlord. It may be turned into money, no doubt; but ſo may land.

The monied intereſt, comprehends, thoſe only

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who have money, not realized upon any fund, and who either employ it in the way of trade, in the way of induſtry, in jobbing in land, in ſtock, or in any way they pleaſe, ſo as to draw from it an annual income. While it is fixed, that is, given for any permanent value, it ceaſes to be money; when it is called in, it becomes money again. Let ſtock, therefore, ſuffer ever ſo many alienations from hand to hand, it ſtill continues ſtock: it never can become land, it never can become money, until it be paid off by government. I hope this idea is ſo clear, as to be well underſtood. Stock, therefore, I here conſider as one great branch of ſolid perſonal property; as far as the ſecurity of government is ſolid and good; and as ſuch, may be melted down into money by banks, as well as any other thing.

Now I have ſaid that this fund is formed out of the income of the whole nation; conſequently by *fund*, here, I do not underſtand the capital, which exiſts no more, but the intereſt which is drawn for it: it is this intereſt, I ſay, which is paid from the land, the money, the trade, the induſtry, &c. which forms one great branch of the monied intereſt of England. From the land, out of the amount of the taxes charged upon it; from the money, trade, induſtry, &c. out of the amount of proportional taxes, ſuch as exciſes, cuſtoms, ſalt-tax, ſtamp-duties, and the like.

The more the national debts increaſe, by the monied intereſt realizing into this branch of ſolid property the funds, the more the taxes muſt augment; and conſequently, the more the proprietors of

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of the funds themſelves muſt be affected by ſuch taxes, as well as the landlords.

From this expoſition of the matter, it may be concluded, that as proportional taxes affect every man's income, according to his conſumption; the landlord, *cæteris paribus*, who pays a land tax, as well as his proportion upon his conſumption, is more hardly dealt with than the proprietor of the other branch of ſolid property, the funds, who pays his proportion only of the laſt.

But the condition of the ſtockholder is not equally favourable to that of the landlord, for two very plain reaſons. The firſt is, that the income of his ſtock cannot increaſe; that of the land may. The ſecond is, that the ſwelling of this great capital of ſtock has the effect of ſinking the intereſt upon it, and conſequently of diminiſhing the income of the ſtockholder; and in proportion to this diminution, the value of land muſt augment. Now I readily allow that the augmentation upon the *value* of lands is no inducement to a landlord to turn them into money; becauſe he would then loſe upon his money, what he gains upon the additional price received. But it is a great advantage in another reſpect, namely, that he thereby diminiſhes the intereſt he pays upon his debts, if he have any; and if he have none, it enables him to borrow at a lower rate for the future; and by improving his lands with the money borrowed, he may augment his income much beyond the proportion of the intereſt paid.

It is therefore neceſſary, in impoſing land taxes, rightly to combine every circumſtance; that the load of all impoſitions may be equally diſtributed upon

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upon every claſs of a people who enjoys ſuperfluity, and upon no other. If, after a fair deduction of principles, this ſhall appear a thing poſſible to be done, we may expect to ſee ſtateſmen engaged to depart from the old maxim of graſping at what is readieſt and neareſt at hand, to wit, the landed property, with a view to ſpare a claſs of people, which, in a well regulated ſtate, never can be made to feel the burden of any proportional tax whatſoever; I mean the induſtrious poor.

I now proceed in my inquiry into the nature and conſequences of the ſwelling of this great branch of property, the public funds.

As to the nature of it, we have ſaid already, that it is formed by realizing money into ſtock. When government borrows, the lenders muſt be people who have money. If the loan be made at home, the money is no ſooner paid in, than it is ſpent; and as we may ſuppoſe that it would not have been lent, had either the lenders found it neceſſary for their current expence, or had they found a more profitable way of realizing it than by lending it to government, we conſider it as having been in a ſtate of ſtagnation; but being lent to government, it is thrown into a new channel of circulation.

Farther, this money ſtagnating in the hands of the lender, either proceeded from his income, which exceeded his expence, or from the profits of his induſtry. In either caſe, the country is neither poorer or richer, when conſidered in a cumulative view, than if the ſame ſum had been lent to private people at home.

Let us next ſuppoſe the money to have been borrowed

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rowed for the exigence of a foreign war. In this caſe, if it be borrowed at home and ſent abroad, it muſt firſt be converted into the money of the world, gold and ſilver, and then ſent off, to the diminution of this kind of property; or it muſt go abroad in the money of the country, credit, to the diminution of the annual income upon which the credit is eſtabliſhed. As this laſt operation may not be ſo clear, an example will explain it.

Government borrows one million; it is paid in paper, and muſt be ſent to Holland. If at that time a balance be due by Holland of one million, bills will readily be found for it. In this caſe, the balance of trade is borrowed as it were by government, and becomes converted into a capital of a million in the public funds, the intereſt of which will remain at home, and continue to be the property of the nation. But as the value of this balance is ſent to Holland and ſpent abroad, it is, upon the whole, to the nation, as if no balance had been due to them. This I call a *lucrum ceſſans* to the country.

But ſuppoſe no balance to be due by Holland at the time the million comes to be ſent off, I ſay the conſequence will be, to alienate in favour of foreigners a part of the annual income, proportional to the whole intereſt paid for the loan, whether it has been ſubſcribed for by foreigners, or by natives.

If the ſubſcription be filled by foreigners, the conſequence is evident: it is equally ſo in the other caſe, upon a little reflection.

Suppoſe then the million ſubſcribed for, and paid in London. Bills are ſought for; none are found, I mean in the way of reciprocal compenſation, does not

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not this ſum immediately become a balance againſt London? And as a country loſes all ſuch balances, and the country to which they are due gains them, this million is loſt to England, and forms what I call a *damnum emergens*; that is to ſay, her former property or income is ſo far diminiſhed, or comes to be transferred to ſtrangers.

From this we may conclude, that in all matters of public borrowing, it is of no conſequence whether the ſubſcription be filled by natives, or by foreigners, when the value of it is to be ſent abroad.

Let us next examine the ſtate of the queſtion when the loan is made in order to be ſpent at home, as is the caſe after a war, when the unfunded debts come to be paid off.

We have ſaid that loans are filled by money ſtagnating, which the owner deſires to realize: if he cannot do better, he lends it to government; if he can do better, he will not lend it.

While the uſes of domeſtic circulation abſorb all the money in the country, that is to ſay, when there are private perſons ready to borrow all the money to be lent, at this time government cannot borrow at home; and if they did, by offering a high intereſt for it, the borrowing would do harm to circulation; becauſe it would raiſe intereſt at home, or diſappoint thoſe who would gladly borrow it, for little more than the intereſt offered by government.

Let us next ſuppoſe that after a war, when the unfunded debts are either bearing a high intereſt, or ſelling at diſcount, government ſhall find an advantage in opening a ſubſcription, which may be filled from abroad, at a lower rate than the then actual value

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value of money. Suppoſe, I ſay, the Dutch ſhould be willing to lend at 3 *per cent.* while money in England ſtood at 4 *per cent.* I aſk if, in this caſe, government ought to borrow from Holland, at the expence of ſending the intereſt out of the country, rather than ſuffer ſuch debts to ſell at diſcount; or continue paying a higher intereſt at home for what they owe?

It is my opinion that ſtill they ought to borrow abroad, for the following reaſons. That if the high intereſt at home proceed from want of money, that is to ſay, from circulation not being full enough, it is their intereſt to borrow, were it for nothing elſe than to ſupply circulation; becauſe unleſs this be full, all induſtry muſt languiſh. But ſuppoſe it ſhould be ſaid that circulation is full enough, that induſtry ſuffers no check from that quarter, but that there being no ſuperfluity of money, intereſt ſtands 1 *per cent.* higher than it would do were there conſiderable ſtagnations. In this caſe alſo, I think it is their intereſt to borrow, were it for no other reaſon than to produce ſuch ſtagnations.

It is a general rule every where, that there is no having enough without having a ſuperfluity; at leaſt there is no certainty of one's having enough without finding a ſuperfluity. Borrowing abroad, therefore, in ſmall ſums, at ſuch a time, will produce ſtagnations at home, from which ſucceeding loans may be filled, after circulation is ſufficiently provided: and even in caſe more ſhould be borrowed from ſtrangers than may be found neceſſary; and that in conſequence of this, too much money ſhould come to ſtagnate at home, after the demand of go-

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vernment is over; the monied intereſt would then lend, in their turn, to other ſtates, where intereſt is higher; and the annual returns from that quarter would more than compenſate what muſt be ſent away, in conſequence of the former borrowing.

From theſe combinations, let us draw ſome concluſions.

Firſt, That the effect of public borrowing, or national debt, is to augment the permanent income of the country, out of ſtagnating money, and balances of trade.

Secondly, That this income ſo created, may be either the property of natives, or of ſtrangers.

Thirdly, That when money is found to regorge, in a country where circulation is not diminiſhing, it may be ſuppoſed to proceed from the coming in of a right balance of trade.

Fourthly, If ſtagnations in one part be found to interrupt circulation in another, public borrowing, for domeſtic purpoſes, has the good effect of giving vent to the ſtagnation, and throwing the money into a new channel of circulation.

Fifthly, That the ſum of intereſt paid by any nation to ſtrangers, ſhews the general balance due by the nation, after deducting all the profits of their paſt trade from all the expence of their foreign wars.

But here it muſt be obſerved, that as on one hand we are comprehending all that is paid to foreign creditors, on account of the funds they have in England, for example, ſo on the other hand, muſt be deducted from this, all the like payments made to Engliſhmen by other nations.

Sixthly,

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Sixthly, From this laſt circumſtance we diſcover, that the lending to other nations by private hands, produces the ſame effect to a nation as if the ſtate were actually paying off the debts due to ſtrangers. Conſequently, when Moſes permitted the Jews to lend to ſtrangers at intereſt, and forbade ſuch loans among themſelves, his view was to eſtabliſh a foreign tribute, as it were, in favour of his own nation, inſtead of promoting luxury at home.

Seventhly, As the balance due to a nation upon her trade, is found to compenſate, *pro tanto*, the money ſhe ſpends abroad, we may from the ſame principle conclude, that ſo ſoon as ſhe ceaſes to expend money abroad, the balance of trade in her favour, if not realized at home in ſome new improvement, will diminiſh, *pro tanto*, the intereſt, or capitals due to ſtrangers. This is evident from the nature of balances, of which we have treated already.

Eighthly, The conſequence, for example, of England's owing large ſums to ſtrangers, will, from the ſame principle, conſtantly prevent exchange from riſing very high in her favour, when the balance of her trade comes to be paid to her: becauſe on every ſuch occaſion, her foreign creditors will be glad to diſappoint exchangers, by furniſhing bills for their intereſt, or capitals, to thoſe who owe the balance; the conſequence of which is plainly to diminiſh the foreign debts*.

This circumſtance implies no loſs to the nation which is creditor in the balance of trade, and debtor

* We muſt always carefully avoid confounding the grand balance of payments with the balance between importation and exportation, which I conſider as the balance of trade.

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upon the capitals; becauſe we have proved that the price of exchange never affects a nation, but certain individuals only, who pay it to others of the ſame nation.

This is ſufficient, I think, to point out in ſome degree the nature of a national debt. I come next to examine the conſequences of its conſtant augmentation; when proper meaſures are not taken, either to pay it off, or to circumſcribe it within certain bounds.

In what is to follow, I ſhall throw all conſideration of capitals totally out of the queſtion; and as to the amount of taxes, it is quite indifferent whether the money proceeding from them be in conſequence of an improvement made upon thoſe already eſtabliſhed, or from new impoſitions: ſuch combinations will come in more properly afterwards.

If the intereſt paid upon the national debt of England, for example, be found conſtantly to increaſe upon every new war, the conſequence will be, that more money muſt be raiſed on the ſubject for the payment of it. The queſtion then comes to be, Firſt, How far may debts extend? Secondly, How far may taxes be carried? And Thirdly, What will be the conſequence, ſuppoſing the one and the other carried to the greateſt height poſſible?

I anſwer to the firſt, that abſtracting from circumſtances which may diſturb the gradual progreſs of this operation, before it can arrive at the *ne plus ultra*, debts may be increaſed to the full proportion of all that can be raiſed for the payment of the intereſt. As to the ſecond, How far taxes may be carried, I ſhall not here anticipate the ſubject of the following

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following book, any farther than is neceſſary to reſolve the queſtion before us.

Taxes, we have ſaid, either affect income, or conſumption. The land-tax of England is now at 4 ſhillings in the pound, upon a ſuppoſed value of the property affected by it, which is all real and perſonal eſtates, the ſtock upon lands, and ſome few other particulars excepted.

This tax may be carried to the full value of all the real eſtates in England. As for perſonal eſtates it never can affect them proportionally; and this part of the ſtatute of land-tax which paſſes every year, and impoſes 4 ſhillings in the pound on perſonal eſtates, carries in it a mark of our former ignorance in matters of taxation.

The notion of actually impoſing 20 ſhillings in the pound upon the real value of all the land-rents of England, appears to us perfectly ridiculous. I admit it to be ſo; and could I have diſcovered any argument, by which I could have limited the riſing of the land-tax to any preciſe number of ſhillings under twenty, I ſhould have ſtated this as the maximum, rather than the other.

The ſecond branch of taxes comprehends thoſe upon conſumptions, exciſes, and the like. The maximum as to this branch muſt depend upon the intereſts of foreign trade; becauſe this is affected in a certain degree by the prices of domeſtic induſtry. Other taxes have not this effect, as we ſhall ſhew in its proper place.

But as foreign trade on the other hand is not eſſential to the ſupport of the domeſtic induſtry, conſumption, circulation, &c. of any nation, as has

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been proved in the ſecond book, but merely to its increaſing in wealth proportionally to other nations; were foreign communications cut off entirely, I perceive no limit to which I can confine the extent of proportional taxes. Let me therefore ſuppoſe a term beyond which impoſitions of all kinds muſt come to a ſtop, and then aſk, in the third place, what the conſequence will be? I anſwer, that the ſtate will then be in poſſeſſion of all that can be raiſed on the land, on the conſumption, induſtry and trade of the country; in ſhort, of all that can be called income, which it will adminiſter for the public creditors.

When this comes to be the caſe, debts become extinguiſhed of courſe; becauſe they come to be conſolidated with the property: a caſe which commonly happens when a creditor takes poſſeſſion of an eſtate for the payment of debts equal to its value.

Government then may continue to adminiſter for the creditors, and either retain in its hand what is neceſſary for the public expence of the year; or if it inclines to ſhew the ſame indulgence for this new claſs of proprietors as for the former, it may limit the retention to a ſum equal only to the intereſt of the money wanted; and in this way ſet out upon a new ſyſtem of borrowing, until the amount of taxes once more extending to the amount of the public revenue be transferred to a new ſet of creditors. This is the endleſs path referred to in the ninth chapter of the ſecond book, which, after a multitude of windings, returns into itſelf.

A ſtate, I imagine, which would preſerve its public faith inviolable, until a period ſuch as I have been

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been ſuppoſing, would run little riſk of not finding credit for a new borrowing. The proſpect of a ſecond revolution of the ſame kind with the firſt would be very diſtant; and in matters of credit, which are conſtantly expoſed to riſk, ſuch events being out of the reach of calculation, are never taken into any man's account who has money to lend.

The whole of this hypotheſis is, I readily agree, deſtitute of all probability; becauſe of the infinite variety of circumſtances which may fruſtrate ſuch a ſcheme. I introduced it merely to ſhew where the conſtant mortgaging of a public revenue *may* end; and to diſprove the vulgar notion, that by contracting debts beyond a certain ſum, *a trading nation which has a great balance in its favour*, muſt be involved in an unavoidable bankruptcy. To ſay that a *nation* muſt become bankrupt to itſelf, is a propoſition which I think implies a contradiction.

CHAP. IX.

Of Bankruptcies.

IN the laſt chapter we have been running through a chain of conſequences relative to the increaſe of public debts, which appear as extravagant to us at preſent, as it would have appeared to Davenant, to have ſuppoſed the debts of this nation to grow up to their preſent height, without the riſk of involving the nation in a general bankruptcy.

But theſe conſequences are merely contingent. The preſent debts may either be paid off, or the na-

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tion may be involved in a general bankruptcy. In either caſe, the vaſt property in the funds, this great article of permanent income, belonging to natives and to foreigners, muſt wither and decay, and at laſt diſappear altogether.

We may therefore conclude, that one of three events muſt happen, viz. either Firſt, Debts will ſwell to ſuch a pitch as at laſt to pay themſelves: or, Secondly, The nation will be involved in a bankruptcy: or, Thirdly, They will be fairly paid off, or at leaſt circumſcribed within reaſonable bounds.

The firſt ſuppoſition we have examined; the ſecond we are now to conſider; the laſt will be the ſubject of the following chapter, with which I ſhall conclude this book.

I ſhall advance no argument to prove that the ſcheme of a public bankruptcy is either lawful, honourable, or expedient, if voluntarily gone into by a ſtate; becauſe I think it is diametrically oppoſite to every principle of good government. It is a maxim uncontroverted, that a contract ought to be binding between the parties contracting, and that it ought to be fulfilled in every article. If the public good be alleged as an overruling principle, to which every other muſt give way, I readily admit the juſtneſs of the exception. There is another of equal force, the impoſſibility of performance. When ſuch arguments are uſed to engage a nation to commit a deliberate act of bankruptcy, two things muſt be examined: the firſt, is the intereſt which the public has in adopting the ſcheme: the ſecond, the conſequences of it. What reaſons a ſtate may have

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have for breaking faith with her creditors, I ſhall conſider afterwards; but let us firſt enquire what might be the conſequences of a general and total bankruptcy in England; from which we may gather what difference it would make, were it partial only; and by this inquiry, we may be led to diſcover the proper method of breaking faith, in caſe it ſhould become unavoidable. This is what in another place I called bringing credit decently to her grave; when, after being overſtretched, it can no longer be ſupported.

A bankruptcy may take place in two ways: either as a conſequence of circumſtances which cannot be prevented; or by a deliberate act of government.

Were the trade and induſtry of England to decay, the amount of all the permanent taxes might ſo far diminiſh, as to prove inſufficient to pay the intereſt of the national debt, and defray the expence of civil government. Were the people to be blown up into a ſpirit of revolt againſt taxes, the ſame event would probably happen. In either caſe, the natural and immediate conſequences of the bankruptcy would probably follow one another in this manner:

Firſt, Every creditor of the ſtate would become poorer in proportion to the diminution of his income.

Secondly, Conſumption and the demand for work would diminiſh in proportion to the part of that income withheld, which the creditors annually expend for theſe purpoſes.

Thirdly, Trade would *directly* ſuffer, in proportion to that part of the ſaid revenue yearly thrown into it by the public creditors at preſent; and it would *conſequently* ſuffer, in proportion to the hurt re-

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resulting to private credit, from the consequences of the bankruptcy.

The creditors then would lose all, the trade of England would be undone, and the multitudes who live in consequence of the demand for their industry from the one and the other, would be reduced to misery. These immediate effects would first manifest themselves in the capital. The consequences would soon be felt all over England: a diminution upon the consumption of the fruits of the earth; a stagnation of that commerce which is carried on between London and the country (which we have seen to be equal to the amount of all the taxes, and to all the land-rents spent in London) would soon throw every thing into confusion. But taxes would be abolished: of that there is no doubt. Let a deliberate bankruptcy take place without any abolition of them by law, they would soon sink to nothing, from the utter impossibility there would be found to pay them.

A total bankruptcy, therefore, coming upon England, either from a decay of her trade, or a disturbance in collecting the public revenue, would have the effect of plunging the nation into utter ruin at home: what might be the consequences from abroad, I leave to the reader's sagacity to determine.

Let me now suppose a bankruptcy to take place from a deliberate act of power, with a view of expediency.

The difference between the two consists in this; that in the first, all the consequences we have mentioned would follow one upon another, without a possibility of preventing them: in the other, a plan to prevent them might be concerted.

Let

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CHAP. IX.

Let me then ſuppoſe, that government ſhall find it expedient, at any time, to uſe a ſpunge for the public debts; that they ſhall fear no external bad conſequences, either from the reſentment of thoſe ſtates who may be hurt by it, or from the ambition of others who may profit by it; that they ſhall cooly reſolve to ſacrifice the intereſt of all the creditors in favour of the whole body; and that they ſhall deliberate upon the plan to be followed, in order to bring about ſo great a revolution, without eſſentially hurting any intereſt in the ſtate, that of the creditors alone excepted.

In this caſe, I imagine, they would begin by ordering the amount of all that is paid to the creditors, to be ſet apart as a fund for the execution of the plan.

They would purchaſe all over England, every article of produce and manufacture which might remain upon hand for want of a market: they would feed all thoſe who would be forced to be idle for want of employment: they would inſtantly put proper employments into their hands; one week's delay in the execution of this part of the plan would throw the manufacturing intereſt into ſuch confuſion, as to be paſt all remedy: they would furniſh credit to all the merchants ſubſiſting, in proportion to what they had loſt by the extinction of the funds: they would eſtabliſh offices every where, to ſupply the wants of thoſe who would be totally ruined, until by degrees they could re-eſtabliſh confidence, the parent of trade, the mother of induſtry. By ſuch precautions, properly taken, and properly executed, none would ſuffer but the unhappy creditors and their

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their families, who, from great opulence, would be reduced to poverty.

As far as human prudence is inſufficient for going through ſo great a detail all at once; ſo far would the effects of a general bankruptcy add hurtful conſequences to thoſe which in every caſe are unavoidable.

Were a ſtateſman endowed with the ſupernatural gift of turning the minds of a nation at his will, and of foreſeeing every conſequence before it happened, ſuch a plan might be executed. Another who, with the greateſt capacity ever man was endowed with, would, for expediency, not from neceſſity, deliberately undertake a general bankruptcy, I ſhould conſider as a madman.

I ſhould rather prefer to ſubmit to the natural conſequences which might reſult from an accidental bankruptcy, than endeavour to avoid them by a plan too complicated for human wiſdom to execute.

Let us next ſuppoſe the ſcheme to be fairly executed from a view of expediency, no matter how, and all inconveniences prevented during the execution, what would be gained by it?

If by the ſuppoſition all taxes be kept alive, for at leaſt a certain time, in order to prevent a total confuſion, certainly no body could gain during this period; even the ſtate itſelf would loſe, becauſe every branch of conſumption would infallibly diminiſh. But that time elapſed, and taxes reduced to the loweſt, who would be the gainers? We ſhall ſee when we come to the doctrine of taxation, that a ſudden abolition of taxes, in conſequence of a bankruptcy, would be advantageous to no body, but to creditors upon mortgage, and to the idle: not

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not to landlords; becauſe their incomes would diminiſh more than in the proportion of the preſent land-tax, at leaſt their improvements would be interrupted, and their rents ill paid: not to the manufacturing claſſes; becauſe at preſent they pay no taxes, but in proportion to their idleneſs or extravagance, as ſhall be proved: the monied intereſt, not ſecured on land, would I ſuppoſe be extinguiſhed; trade and credit at an end. The gains then would be confined to thoſe who have money ſecured upon land, where the capital is demandable. In ſuch a ſituation, the intereſt of money would riſe beyond all bounds; and a debt which might have been conſidered as a trifle before, might then carry off an eſtate. The idle alſo who live peaceably upon a very moderate income, would find a great advantage from the fall of prices for want of conſumption, and from the diſtreſs of the induſtrious; but the indigent poor, who are ſupported from voluntary charity, would ſuffer: all the great eſtabliſhments for labour and induſtry, in public workhouſes and hoſpitals, would fall to the ground: the numbers of poor who are there maintained at preſent would come upon a ſociety, which is beginning to loſe thoſe tender feelings of compaſſion, which in countries of idleneſs, are more or leſs prevalent in proportion as miſery is more or leſs familiarly before them.

To ſay all in one word, a total bankruptcy, and abolition of taxes, would bring this nation back to the ſituation it was in before taxes and debts were known.

Does any body imagine that our preſent ſituation is not analogous to our preſent policy, and that it

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it is poſſible that independently of the ſame circumſtances we ſhould long continue to enjoy the advantages we feel? No: were we in the ſame ſituation as formerly, we ſhould feel as our fathers felt. They had as good underſtandings to improve their circumſtances as we have; but they had to do with an idle, we with an induſtrious common people. Trade and credit have been long at work to effect this great revolution: the operation is not as yet compleated, and a total bankruptcy now, would deſtroy every good effect of it for a long time.

Were taxes made to ceaſe, the large ſums which proceed from them would diſappear entirely. Money would not, as ſome imagine, become equally diſtributed among thoſe who now pay the taxes, and ſo proportionally increaſe every man's income. The reaſon is plain: the money paid for taxes, circulates; becauſe it is demanded by the public, and is ſpent by it. Were taxes ſuppreſſed, people having leſs occaſion for money than formerly, would circulate leſs in proportion. It is the neceſſity of paying taxes, which *creates* this money for the payment of them; and when this method of *creating* is not contrived, the taxes cannot be paid, as has been often ſaid. Now it is this great flux of money from taxes which animates the trade of England: take them out of the circle, what becomes of the whole?

To ſuppoſe, therefore, ſo great a revolution in the circulation of a country, as that produced by the ceſſation of taxes; and to ſuppoſe no interruption from it upon the ſtate of induſtry, and the employment of the people of this nation, is a propoſition

I muſt

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I muſt reject, as being contrary to all principles; and to this among the reſt, that it would be a moſt ſudden, and a moſt violent revolution; which throughout the whole courſe of this inquiry, we have found to involve inconveniences beyond the power of any theory to point out or to remedy.

Upon the whole we may conclude, that the fatal conſequences of a bankruptcy would be many; and that the good reſulting from a total abolition of taxes would be confined to two objects. Firſt, A relief to thoſe who pay them upon their poſſeſſions, or perſons. Secondly, A diminution of prices in favour of the idle at home, and of trade abroad: great objects, no doubt, could they be obtained at leſs expence than the conſequences of a total failure of public credit and domeſtic induſtry. Perhaps when we come to examine the principles of taxation, we ſhall find that taxes do not raiſe prices ſo much as is generally believed; and thoſe principles which influence the application of public money, will point out better expedients than a bankruptcy for compaſſing the great national objects which we have juſt now mentioned.

But let us ſuppoſe a caſe, which may poſſibly happen, as matters ſeem to go on. Suppoſe, I ſay, that by continuing to carry on long and expenſive wars, the ſum of intereſt paid to ſtrangers ſhould exceed all that the nation can gain by her trade. In this caſe, there muſt be a general balance of payments againſt her every year, which very ſoon would manifeſt itſelf by the moſt fatal conſequences.

The bank of England would be the firſt to feel them, by the departure of all the coin and precious

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metals. Trade would feel them next, and then indeed they would become univerſal.

In ſuch a ſituation, I fairly acknowledge, that I cannot diſcover any expedient to avoid a bankruptcy. Engaging the foreign creditors to become citizens, by the allurements of the greateſt privileges, and bills of naturalization, are vain ſpeculations. Unleſs ſome reſource, hidden from me, ſhould, upon ſuch an occaſion, open itſelf, in the deep receſſes of future events, I believe the nation would ſoon be driven upon the fatal rock of bankruptcy. The idea of a nation's becoming bankrupt to itſelf, I have always looked upon as a contradiction; but that it may become bankrupt to the reſt of the world, isquite conſiſtent with reaſon and common ſenſe.

I ſhall not take upon me to ſuggeſt what mode of bankruptcy would in ſuch a caſe be the beſt; a total, or a partial one. The partial, I am afraid, would, in England, work effects almoſt as hurtful as the other. But if ever the caſe ſhould happen, the only way will be, to watch over every ſymptom of the approaching cataſtrophe, and to improve circumſtances to the beſt advantage.

I cannot omit inſerting in this place the opinion of a moſt ſagacious and moſt intelligent foreign merchant, moſt conſolatory to Great Britain, with reſpect to the debts ſhe owes to foreigners.

The late Mr. Megens, who lived many years in England, compoſed a treatiſe in German, which Mr. Horſley tranſlated in 1752, under the title of the Univerſal Merchant. In the 31ſt Section of this work is the following paſſage:

"And

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"And although it cannot be denied, that for as much as foreigners are become great creditors in the public debts of England, a great ſum of intereſt muſt be annually made good to them. Yet if it appear that the private people abroad, are more indebted to the private people here, than ſuch intereſt amounts to; the nation has no prejudicial draught upon it, on account of ſuch debt; and that the general balance of trade is highly in favor of England."

Few people, I am perſuaded, have any ſuch idea as this laid down by Mr. Megens. Happy, for Great Britain, could it be verified!

Of what infinite conſequence is it then for a Britiſh ſtateſman to inquire into the amount of debts owing to ſtrangers, and into the ſtate of the balance of trade? In ſpeaking of exchange, I threw out many things concerning the idea of putting that branch of buſineſs into the hands of the bank, in conjunction with the exchequer. Were the ſtate brought into the dilemma of either ſubmitting to this gradual decline of trade, from a cauſe which could not be removed; or of being puſhed to the neceſſity of leaping into the terrible gulph of a deliberate bankruptcy; in ſuch a dilemma, I ſay, what infinite advantages might not be drawn from the management of exchange?

I have heard it ſaid, that the debt owing to ſtrangers was a great advantage to England; becauſe it drew people to that market where their funds are ſettled. I allow all the force any one can give to this propoſition: But alas! what would it avail, whenever England becomes incapable to furniſh

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goods equivalent to all her imports from abroad, added to all she owes to her foreign creditors?

I am very far from supposing the present situation of England to forebode the approach of any such disaster; but it is good to represent to one's self some determinate object, by which we may judge of our situation in times to come.

Debts have increased far beyond the imagination of every mortal. Great men have uttered prophecies, which have proved false, concerning the consequences of a debt of one hundred millions. From this most people conclude, that they will go on until some unforeseen accident shall dash the fabric to pieces. I have been pretending to shew how they may go on in a perpetual chain. But alas! one fatal circumstance was there omitted; and now that it has been taken in, I think it serves as a datum, to resolve the most important problem of this science, viz. How to determine the exact extent of public credit. The solution of which is, That it is not necessary that public credit should ever fail, from any augmentation of debts whatever, due to natives; and that it must fail, so soon as the nation becomes totally unable either to export commodities equal to all their imports and foreign debts, or to pay off a proportional part of their capital, sufficient to turn the balance to the right side.

From this proposition two corollaries may be drawn.

First, That the most important object in paying off debts, is to get quit of those due to strangers.

Secondly, That whatever circumstance has a tendency towards diminishing the burden of foreign debts, should be encouraged.

If

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If it be ſaid, that whenever our foreign debts exceed the balance of our trade, the beſt way would be to break faith with ſtrangers, and keep it with the ſubjects of the ſtate: I anſwer, that were the thing poſſible, which I apprehend it is not, the conſequence might prove equally hurtful.

The greateſt of all the inconveniences proceeding from a bankruptcy, is the ruin of induſtry, and the ſtop put to circulation. Can it then be ſuppoſed, that a country might execute ſo glaring a ſcheme of treachery to all her neighbours, and ſtill continue her correſpondence with them in the open way of trade? Certainly not. Were all foreign trade to be ſtopt at once, what a revolution would it occaſion! The circulation of foreign trade, in the city of London only, exceeds perhaps the amount of all the taxes. A ſtop put to this would occaſion ſuch a ſtagnation, as would ruin the nation as much as if the bankruptcy were to become univerſal. I do not here pretend minutely to trace conſequences, which are infinite: all that can be done, is to ſuggeſt hints, which every one may purſue, in proportion to the extent of his combinations.

The intention of touching upon this ſubject at all, is to ſhew, that the expedient of a ſpunge, which is frequently talked of as a remedy againſt the conſequence of debts, is, perhaps, more dangerous than any thing which can be apprehended from them. The reaſon is, that the ſpunge implies a more ſudden bankruptcy than any one brought on in a gradual way, by natural cauſes.

Were natural and irreſiſtible cauſes totally to cut off all profit upon the trade of Britain, one cannot ſay how far the other nations of Europe might not

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find it their intereſt to aſſiſt *us*, provided we did our utmoſt to preſerve our good faith to *them*. And as I think I have made it ſufficiently evident that nothing can be gained by openly violating public faith, the beſt reſolution a nation can take, is to adhere to it to the laſt extremity, and to baniſh from their thoughts every idea which may be repugnant to it.

CHAP. X.

Methods of contracting and paying off public Debts.

WE are now to collect together, in one view, the ſeveral methods of contracting and paying off the debts of a nation. Such methods may be deduced, either from principles, or from what practice has pointed out.

The foundation upon which public credit is built, is the exiſtence of a ſure and ſufficient fund for performing the engagements contracted.

When, in the early times of public credit, the repayment of the capital was an expreſs condition of the loan, a much more extenſive public fund was neceſſary than at preſent, when no more is required than the payment of the intereſt. As ſuch funds never can be formed but from taxes, or general contributions from the people, the greater they are, the larger muſt the contribution be. Whenever therefore there is occaſion to contract debt, the chief object of a ſtateſman's care ſhould be, to model the ſpirit of his people ſo as to diſpoſe them to con-

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concur in the proper reſolutions to render the plan propoſed as eaſy as poſſible in the execution.

In the firſt place, the body of the people muſt be made ſenſible that the conſequence of contracting debts muſt imply a diminution upon the income of ſome individuals; but that the fewer the obſtacles thrown in the way of the loan are, the leſs will this diminution be.

In the ſecond place, he muſt gain the confidence of his people, ſo far as to impreſs them with a firm belief that he will conſult *their* good, and nothing elſe, in what he undertakes.

And in the laſt place, he muſt gain the confidence of thoſe from whom he is to borrow; and convince them that all covenants between the public and them will be religiouſly performed.

In a limited and free government, theſe three requiſites are eſſential to the firm eſtabliſhment of public credit.

Where the power of the ſtateſman is unlimited, he may ſubſtitute his authority over the people who are to pay, inſtead of confidence; but with reſpect to thoſe who are to lend, he will find no room for any ſuch ſubſtitution: confidence *here* is the only expedient.

All therefore that is required of the ſtateſman with reſpect to the people, is to *enable* them to do what he requires of them.

For this purpoſe he muſt eſtabliſh credit with them, for finding the contributions he is to exact of them; becauſe they will have as much occaſion for credit, in paying what is demanded of them by authority,

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as he himſelf has in paying what he is obliged to pay, in conſequence of his engagements.

If this general plan be not followed, the conſequence will be, that the produce of taxes will fail on one hand, and public credit on the other.

If all this operation cannot be previouſly concerted, the plan of borrowing muſt be circumſcribed to funds previouſly eſtabliſhed.

When money is borrowed before the fund be prepared, every obſtacle which occurs in eſtabliſhing it, becomes a drawback upon the confidence of thoſe who lend, and renders the conditions leſs favourable to the ſtate which borrows.

In the contract of loan, the firſt article to be agreed upon is the rate of intereſt. We have, in the beginning of this book, examined the cauſes of its riſe and fall; and have in general determined, that when the demand is for borrowing, intereſt riſes; when for lending, intereſt falls.

As the object of the borrower is to have intereſt low, the ſtateſman who intends to borrow, muſt uſe all poſſible means to increaſe the quantity of money in circulation.

But if coin alone be uſed as money, and if this coin be ſent out of the country, when borrowed, and if what is ſent away cannot be replaced at will, the ſcheme of augmenting money becomes impracticable: it will daily become more ſcarce, more difficult to procure, and intereſt muſt riſe higher every day. Symbolical or paper money, that is credit, muſt then be eſtabliſhed at home, upon the firmeſt baſis: this will enable every one to pay what he owes; conſequently, the taxes will be paid, the cre-

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creditors will receive what is due to them regularly, money will every year augment in proportion as debts are contracted; and if borrowing do not augment beyond this proportion, intereſt will not riſe; and if borrowing ſhould fall below this proportion, intereſt will ſink.

Is not this whole doctrine verified in the ſtrongeſt manner by the operation of the Miſſiſippi? At the death of the late King of France, money had diſappeared. Some years before, he had, for ſeven millions in coin, engaged his kingdom for thirty-two millions; upon a diſtant fund indeed, but ſtill it became a debt to be paid. Paper money had not been introduced three years, when intereſt fell to 2 *per cent.* The paper indeed was actually a bubble; but we have ſhewn that it became ſo from bad management only.

By the augmentation of money, capitals ceaſe to be ſo valuable. By the melting down of property, the very capital, though in the hands of the ſtate, may be turned into money by the creditor, whenever he has occaſion for it; in the ſame way as the coin which is buried in the vaults of the town-houſe of Amſterdam, is conſtantly performing all the uſes of circulation.

The method, therefore, of borrowing money to the beſt advantage, is previouſly to eſtabliſh a fund of credit, ariſing from annual taxes; to provide the people who are to pay them, with credit or money in proportion to their property or induſtry; and to prevent the latter from ever failing for want of the medium, money, for carrying it on.

If in time of peace intereſt ſhall ſtand high, relatively to other ſtates with which you are at war,

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BOOK IV.

throw as much money as poſſible into the hands of your creditors, in payment of the debts already contracted; becauſe the more you throw in there, the more you will draw out, if you have occaſion to borrow more; and if you have no occaſion to borrow more, the lower you will reduce the rate of intereſt, by augmenting the fund of money to be lent.

From theſe principles I conclude, that every nation which ſets out by contracting debts with its own citizens, muſt *begin* by borrowing upon condition of repaying the capital in a ſhort term of years. This is alſo the beſt method to engage the people to contribute largely without murmuring. The reaſon is, that when taxes begin to be impoſed, the maſs of circulation becomes proportionally augmented; and the paying back of conſiderable ſums to the creditors, prevents, on the one hand, the debts from increaſing ſo faſt, and ſupplies circulation, and facilitates new borrowings on the other. While this plan of augmenting circulation is carrying on, the ſtateſman muſt prevent his expence abroad from diminiſhing circulation proportionally at home. This is to be accompliſhed by opening loans for foreign expence in foreign countries, and by paying the *intereſt only* of ſuch loans, with the greateſt punctuality.

The difficulty of performing this, is no argument againſt it. It muſt either be done, or credit will be hurt; becauſe without obtaining credit abroad, it is impoſſible to defray any expence incurred abroad, beyond what the metals of your country and the exports from it can pay: that is, in other words, beyond the quantity of metals exported, and general

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general balance in your favour upon all reciprocal payments with the world.

If it be ſaid, that nations never pay the intereſt of their debts any where but at home, I anſwer, that it is ſo much the worſe for them; becauſe wherever the debts or intereſt is to be paid, the lender always ſtates his account as if the payment were made in his own houſe. All the expence to him of ſending his money to the place of ſubſcription, and of drawing back his returns, are compared with the intereſt offered by the borrower; and if upon the whole the lender find his account in the bargain, he ſubſcribes; otherwiſe not. Since therefore the money borrowed muſt in this caſe be ſent abroad, it is an advantage for the borrower to be under an obligation to provide a method of ſending it; and by this means he will borrow cheaper than he can do, when he refunds to every lender all his expence and trouble in getting his intereſt remitted to him.

I am now deducing principles, and therefore ſhall not enter into a diſcuſſion of the many objections which occur againſt this plan, from foreign conſiderations; ſuch as the facility it might procure to a ſtateſman in defrauding his foreign creditors, and ſeveral others which might be formed: all I ſay is, that this is a cheaper and more ſyſtematical way of borrowing, and it has this good effect, that it conſtantly points out the ſtate of the external debt, from which alone a bankruptcy is to be feared.

Were a favourable balance to return after an expenſive war, the payment of this foreign debt would be the conſequence then, as much as now when the payment

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payment is made at home, and rather more ſo; becauſe who ever owed a balance (to England, I ſuppoſe) would then pay his debts at London, with money due by England, payable at Antwerp, for example; conſequently, he would remit at diſcount; and when he remitted in favour of an Engliſhman, the debts might be conſidered as diſcharged upon the foreign fund, and ſtated a-new upon the funds payable in London. Could the payment of the intereſt of the public debts be rendered ſuſceptible of ſuch transfers upon all occaſions, it would, I imagine, have a remarkable effect in favour of public credit.

This thought ſuggeſted itſelf, while I was conſidering the ſituation of a country where borrowing is in its infancy; and it occurred as an expedient *for preventing foreign expence from draining the country of the money neceſſary for circulation at home. This*, in every combination of circumſtances, is the moſt important object of a ſtateſman's care, while he is engaged in wars abroad.

Now whether the money of a country be paper or coin, it is equally taken out of circulation, by every foreign payment. When it is coin, it goes out of the country, as well as out of circulation: when it is paper, it does not go out of the country, certainly, but by coming upon the debtor in it for payment, it is equally taken out of circulation; and what the debtor gives for it (viz. a bill of exchange upon another country) goes out of the country. And unleſs this bill of exchange can be paid with value exported in merchandize, it will remain a debt upon the country, contracted in favour of ſome other nation.

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This I hope will be ſufficient to recall to mind what has been ſo fully explained in the 13th chapter upon banks; where the ſame queſtion was ſtated with regard to the payments Scotland was obliged to make to England, towards the end of laſt war. The ſame principles operate in the caſe before us, and may be applied to every circumſtance of it; with this difference only, that here the ſtateſman's intereſt is ſuppoſed to be more cloſely connected with that of his banks than was the caſe during the diſtreſs in Scotland: becauſe if he do not ſupport them by a ſyſtematical chain of conduct, he will drain the fund of circulation by his remittances; his credit will fail; his taxes will no more be paid; and his people will be oppreſſed. But if he purſue his plan ſyſtematically, circulation will be kept full; his credit will be ſupported; his taxes will be paid; his people will be eaſy: becauſe no check will be put either to their induſtry or conſumption for want of money; a great part of the ſolid property will be melted down into money; whatever part of this money is lent to the ſtate will be, by that operation, conſolidated into a new ſpecies of property, the public funds; and if, after the borrowing ſcheme is over (that is, when peace is reſtored) circulation ſhould be contracted, a part of the money will then ſtagnate in the hands of individuals, and will, in their favour, be realized in that part of the ſolid property which was formerly melted down in order to produce it. That is, lands will be ſold by the former proprietors, and will be acquired by thoſe who have money not realized in ſtock; and for which money, circulation has no farther demand. This

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is the reaſon why, at the end of every war which has run the nation in debt, lands have conſtantly riſen in their value, even when conſiderable quantities of them have been offered to ſale.

If it be ſaid that the ſtock-holders are thoſe whom we commonly ſee buying the lands, and not thoſe who have ſums not realized:

I ſhall, in anſwer, obſerve, that the ſtock-holders cannot buy lands unleſs they ſell their ſtock, to thoſe who have money not realized; ſo it is ſtill the money not realized which is employed in buying every article of ſolid property: and even after this operation, the ſame money will ſtill remain in circulation as before; becauſe it is impoſſible to realize even paper money itſelf, except when the creditor in it becomes proprietor of the property upon which it is ſecured; and if the money be coin, it is plain that this cannot be realized any farther than it is by nature. When therefore we ſay, that a man realizes his money, we do not mean any thing farther, than that he gives his money to another in exchange for ſolid property. Thus when an eſtate is bought in a country where banks upon mortgage are eſtabliſhed, a part of the price is commonly taken out of circulation altogether; becauſe in conſequence of the price paid, the bank is refunded what it had melted down of the land ſold; conſequently, this paper becomes conſolidated a-new, as it were, with the lands which are relieved of the mortgage.

But when lands are ſold in a country where there is no paper, the price remains in circulation as before; and if the quantity of coin in circulation ſhould exceed the uſes for it, a caſe which ſeldom happens in

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in theſe days, it would be exported, and realized abroad.

When this complicated and ſyſtematical ſcheme of credit is not eſtabliſhed, the infallible conſequence is, that money diſappears: conſequently, intereſt riſes. The taxes formerly impoſed cannot be paid: conſequently, it is in vain to ſeek to augment them; becauſe in proportion as they are augmented, they become leſs productive. If money be borrowed upon remote funds, engaged for other debts previouſly contracted, and if public faith be at all events to be preſerved, the conſequence muſt then be, that the public will be eat up by uſurers.

This was the caſe in England during the wars of Queen Anne.

So early as 1706, government, as has been ſaid, began to borrow at 6 *per cent.* upon funds already engaged. What was the conſequence? The exchequer having no money to pay the intereſt as it fell due, paid with tallies; theſe fell to great diſcount, and had they remained long in that diſcredited ſituation, lending would have ſtopt, or intereſt would have riſen, as in France, ſo high as to loſe the name of intereſt altogether. This was the caſe, in the example above cited, when ſeven millions ready money, borrowed by the late King of France, became a debt of thirty-two millions on the ſtate.

Upon the occaſion above mentioned, government availed themſelves of the bank of England, as I ſay every private citizen ſhould have a power to do, on every occaſion, when his credit is good, though money ſhould fail him. They engaged the bank to diſcount all tallies iſſued for the intereſt of debts; that

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that is, in other words, to turn thoſe ſticks into money: but as public credit was ſo low that money could not be found to diſcharge even the intereſt of the advance made by the bank, the government conſented, that all advances of that kind ſhould bear compound intereſt quarterly, at 6 *per cent.* What a monſtrous profit to the bank! what a charge upon the ſtate! Had a bank of circulation upon mortgages been eſtabliſhed at that time, money would have come in at a moderate ſimple intereſt to individuals, who would have availed themſelves of them, for the payment of all public burdens. Inſtead of which, induſtry was made to ſuffer; the public money did not come in; taxation ſtopt; expences went on, and deficiencies were paid by the public at this monſtrous charge.

On the other hand, had it not been for the aſſiſtance the bank then gave the ſtate, in circulating thoſe exchequer tallies, bills, &c. it is very certain that credit would have failed as totally in England as it had done in France in 1708, when Deſmaretz undertook the finances. This miniſter had no bank to avail himſelf of, and accordingly he run France in debt at the rate of two hundred millions of livres *per annum*, during ſeven campaigns; of which, I am perſuaded, he did not receive one half, or near it, in effective value.

What I have ſaid will, I hope, be ſufficient to ſhew that the only way for any ſtate to borrow, is previouſly to provide a fund for making good what is agreed upon with the lenders; and that all expedients to ſupply the want of it will in the end bring great expence upon the people, either by involving them

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them in an exceſſive burden of debts, in caſe public engagements ſhould be held ſacred, as has conſtantly been the caſe in Great Britain; or by driving the ſtate to a bankruptcy, as was the caſe in France upon the death of the late King. I call it a bankruptcy, becauſe *all* that was owing was not paid. A man who pays no more than 19*s.* 11½*d.* in the pound, is a bankrupt, as well as he who cannot pay one farthing.

I come next to the methods of paying off debts when already contracted.

Public debts may be divided into two claſſes, redeemable and irredeemable. Redeemable debts may be paid off in ſeveral ways, which we ſhall briefly enumerate before we compare their ſeveral advantages.

Firſt then, ſuch *debts* may be paid off at once, by refunding to the creditors the whole capital, with all arrears of intereſt.

Secondly, *They* may be paid off yearly, according to a certain rule to determine the preference, and order of payment: for this purpoſe, a determinate ſum muſt be ſet apart as a ſinking fund for diſcharging the capital and intereſt.

Thirdly, *They* may be paid off cumulatively and proportionally every year, by incorporating the ſinking fund into the money appropriated for diſcharging the intereſt, and by placing all that is paid beyond the intereſt, as payment in part of the capital.

Fourthly, *They* may be paid in one ſenſe, as ſhall be farther explained, by reducing the intereſt upon the capitals, without diminiſhing them.

Fifthly,

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Fifthly, *They* may be paid off by converting them into annuities for lives.

Sixthly, And laſtly, *they* may be paid off below the value of the capitals, by the means of lotteries; where the ſtate may gain what the creditors chooſe to loſe from a deſire of gaming.

To one or other of theſe methods may be reduced all the fair and honeſt expedients which a ſtate may employ to get rid of its debts, without any breach of public faith, or without proceeding to the extremity of preſcribing conditions of payment, which the creditors are forced to accept againſt their will.

As for the irredeemable debts, I apprehend, that, without conſent of the creditors, no change upon the condition of loan can juſtly be made.

I ſhall next point out the advantages and diſadvantages of the ſeveral methods of diſcharging debts, as they may affect the ſeparate, or cumulative intereſt of a ſtate.

Were large debts which have ſubſiſted for a long time to be paid off all at once, it would occaſion a ſudden and a violent revolution, which is always attended with inconveniences.

Were, for example, the proprietors of lands to conſent to ſell off a part of their eſtates for the payment of the public debts, the quantity of land brought to market, would ſink the price of it very conſiderably; from which would ariſe a great detriment to landlords. I ſhall not here inquire from whence ſuch a ſum of money could come; that it may be produced is very poſſible, from what happened in France in the year 1720.

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CHAP. X.

Could a treaſure be brought from India (let me ſuppoſe) ſufficient at once to diſcharge the debts of Great Britain, circulation would become ſo glutted with money, that intereſt would fall to nothing. This would be a temporary loſs to all the former creditors, until they had time to lend to the other ſtates of Europe; who would, in conſequence of this circumſtance, ſink the rate of intereſt upon their own debts. Something like this was the conſequence of paying off all the debts of France with bank notes in 1720, upon which intereſt fell, as we have obſerved above, to 2 *per cent.*

When, in the ſecond place, debts are paid off partially every year, according to a certain rule, it is expedient to have the capitals reduced into ſhares of a determinate value, as is the practice in France, that they may be drawn out as in a lottery. The lots drawn may then be paid, and no detriment will follow to any particular creditor, more than to another: becauſe if by being paid there be either profit or loſs to the creditor, it will affect the value of the whole ſtock in proportion. If, upon the eſtabliſhment of ſuch a plan, the ſtock be found to riſe, it will be a proof that either the intereſt formerly paid was below the common rate, or that the credit of the ſtate was looked upon as precarious: if it ſhould ſink, contrary concluſions may ſafely be drawn.

This is a common method of paying off debts in France, where funds are more commonly divided into ſhares than in Great Britain.

In 1759, the King opened a ſubſcription for ſeventy-two millions of livres upon the general farms: this

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this ſum was divided into ſeventy-two thouſand actions, bearing 5 *per cent.* and it was ſtipulated, that upon the renewal of the farms in 1762, twelve thouſand actions ſhould be drawn by lot, and paid off monthly; ſo that in ſix months the whole debt was to be diſcharged.

The third method of applying what is annually paid above the intereſt, in extinction of the capital, is the meaſure propoſed by Cardinal de Richlieu for diſcharging the debts of France; only the Cardinal went to work in a very arbitrary way, both in determining the intereſt, and in fixing a value upon the capital, equally detrimental to the creditors.

To apply this to an example. Had England at the time government firſt eſtabliſhed a ſinking fund, ariſing out of the ſavings which were made upon reducing the rate of intereſt, from time to time, continued to pay to the creditors the ſame annual ſums as formerly; and thereby applied what was paid beyond the intereſt, to the payment of the capital, there could not have been any miſapplication of the ſinking fund; and the debts by this time would have been greatly diminiſhed. Whereas by applying the ſinking fund to the ſervice of the year, for the eaſe of the people and advantage of the creditors, the conſequences *may* prove exceedingly inconvenient.

The fourth method of reducing debts is that adopted by Great Britain, viz. by reducing the intereſt paid upon them. From this we diſcover the reaſon why taxes, even in time of war, are ſeldom augmented in this kingdom much above the proportion of the intereſt of the money borrowed.

We

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CHAP. X.

We have, in the ſecond chapter of the firſt book, boldly declared this to be againſt principles, and the authors of ſuch a ſcheme were there ſtigmatized as men of no foreſight: we now ſee how much people may be miſtaken in their concluſions in political matters, when they are formed upon too narrow combinations.

Were capitals intended *ever* to be paid, no doubt the concluſion would be juſt; but if it be reſolved, that capitals ſhall never be conſidered as the object of attention, and that the intereſt alone ſhall be looked upon as the real burden, then all payment of capitals is unneceſſary, except ſo far as by paying a part of them, it may ſerve to reduce the intereſt upon the reſt, by making money regorge in the market beyond the uſes found for it.

This plan cannot be carried on while a nation is engaged in an expenſive war, which abſorbs all the money to be lent: but it becomes the object of a ſtateſman's care, after peace is reſtored, and when trade begins to bring in a balance upon exportations.

We have ſeen how this balance tends every year to diminiſh the capitals due to ſtrangers, and to keep money at home. Then is the time to extend taxation beyond the uſes found for money to pay the intereſt. Two or three millions extraordinary, raiſed at the cloſe of a war, and thrown into the hands of the creditors of Great Britain, in extinction of their capitals, would ſoon engage them to cry for mercy. They would find no outlet but France for ſuch ſums; and it is preciſely after a war, that France is buſy in playing off the arbitrary operations on her debts, which reduces her credit too low for

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any one to truſt her with money. Let peace continue for a tract of years, confidence will there advance apace, and then it will become more difficult to make money regorge in England.

To ſay that taxes are already beyond all bounds, is, in other words, to ſay the nation is no more in a ſtate of defence: becauſe, ſhould Britain be again involved in an unavoidable war, the conſequence will be, either to render more taxes indiſpenſable, or to oblige the nation to ſubmit to any terms demanded by her enemies.

If it be therefore true, that taxes may ſtill be augmented, the moſt proper time for augmenting them, is, at the very cloſe of a war; becauſe then every circumſtance favours the ſcheme, as we ſhall now explain.

We have ſaid above, and experience proves the truth of it, that at the end of a war circulation becomes too full for domeſtic uſes; and that the ſuperfluity of money is realized upon property. This is the conſequence of a ſudden ſtop in national expence. Were taxes at ſuch a time augmented, part of this regorging money would find a vent by the augmentation upon domeſtic circulation which taxes would occaſion; which augmentation would circulate into the exchequer, inſtead of becoming conſolidated with property, as has been ſaid, and coming into the hands of government, would be poured into thoſe of the creditors, in payment of part of their capitals. There it would regorge-a-new; becauſe it is obſerved, in general, that thoſe who have property in the funds are not apt to ſquander money when

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when unexpectedly thrown into their hands; on the contrary, they are commonly found to live very much within their income*.

But suppose it should not immediately regorge, it would then increase expence and consumption; consequently, would advance industry, and render every branch of excises more productive. In every supposition we can make, public opulence would be augmented: money would regorge at last; and then the creditors would come with their application to government to suspend the reimbursement of capitals, and to accept, in lieu of that, a diminution upon the interest.

* Experience shews, that when the debts of a nation have come to a height, the public creditors become people of great consequence, upon account of the ease and affluence of their circumstances. They are not exposed to the many hidden expences incident to land proprietors. They are a class in the state but lately known; the capital of their wealth is hidden; and opinions concerning their rank, and the figure they ought to make, are as yet unformed. Whereas the family of a land proprietor is known; his expence *may surpass* that of his predecessors without much observation; but if it should *fall below it*, he commonly sinks in the estimation of his neighbours, who seldom put circumstances together which can only be guessed at. An heir to a landed estate, is bred up from his infancy with the notion of living like his father: the son of a monied man has commonly very different sentiments; and even when any of this class takes a turn to expence, the lustre of it is all displayed round his own body; that is, in his own house, and in his own family: no country seats, hounds, horses, servants in every quarter, family interest to keep up, little œconomy in spending. In a word, every one feels better than I can describe, that landed men commonly exceed, and monied men commonly live within their income.

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This is the golden opportunity for diminiſhing the public burden occaſioned by debts; and this method of compaſſing ſo deſirable an end, is far preferable to that of compelling creditors to ſubmit to a diminution, by offering a ſudden reimburſement, which was put in practice in Britain in the year 1749, as has been obſerved. Had the public waited with patience one year longer, and then thrown in a few millions more than they did into the hands of the creditors, the propoſal of reducing the intereſt would have come from the other quarter; which in all bargains with creditors is of the greateſt conſequence to the debtor.

The ſum of intereſt thus diminiſhed, upon an obligation to ſuſpend the reimburſements of capitals for a limited time, three queſtions will naturally occur: 1. Whether the taxes ſhould be diminiſhed in proportion: or 2. If they ſhould be allowed to ſubſiſt with a view to apply the overplus of them to national purpoſes: or 3. Whether it may not be moſt adviſeable to turn ſuch a part of the debts into annuities for lives, as may abſorb the ſaving upon the former intereſt paid. The firſt two queſtions I reſerve for the following book, where they will be fully examined; the laſt is the fifth expedient already propoſed for acquitting the public debts. As the nature of it is abundantly evident, I ſhall repeat only what I formerly obſerved, namely, that this method of eſtabliſhing a ſinking fund, has the advantage of being leſs expoſed to miſapplications than any other.

The laſt expedient of paying off capitals, below the original value, by the means of lotteries, ſhould take place only after the intereſt of money is brought

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ſo low as to cut off any near proſpect of reducing it ſtill farther.

I ſhall not pretend to gueſs at the loweſt point to which the rate of intereſt may be brought, by the expedients of increaſing money at will, by the means of banks upon mortgage. I have in the ſeventh chapter of the firſt part of this book, thrown out a hint of a land-bank, which opens a very wide field of ſpeculation; but in this place, it would be unneceſſary to enlarge upon that ſubject.

Let me ſuppoſe the rate of intereſt brought lower in Britain than any where elſe, it will nevertheleſs be ſubject to periodical riſings, on many occaſions.

Upon every ſuch emergency, capitals will ſink in the market below par.

It is then *only* that a ſtate can have recourſe to this laſt expedient of opening lotteries, and taking in ſubſcriptions at the market price of the funds ſubſcribed into them. And although the annuities to be paid upon the lottery fund be regulated by the rate of intereſt at the time, and conſequently above the ſtandard of the other debts; yet the ſame methods of reducing it afterwards will conſtantly produce their effects, and thereby diminiſh the capital by degrees.

In like manner, in time of war, when the public funds fall greatly in their price, government may open new ſubſcriptions, and receive payment for them in their own paper at the market price, allowing a ſmall premium in the rate of intereſt. If the creditors willingly ſubſcribe upon theſe conditions, no violation of public faith can be alleged. By this operation, the capitals will be diminiſhed,

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BOOK. IV.

and the advanced rate of intereſt paid during the war, will return upon the peace to where it was: then the new ſubſcriptions may be paid off, or ſubſcribed for again at a lower rate than before.

Suppoſe it then reſolved, that in time of war, the nation's creditors ſhould be allowed, at certain times, to ſubſcribe their capitals in books opened at the bank for that purpoſe, one quarter *per cent.* above the ſelling price. Would not this have the good effect of ſupporting the price of ſtocks on one hand, and of reducing the capital of the national debt upon the other? Example:

Let me ſuppoſe that in time of war, the 3 *per cents.* ſell at 74¾, might not government receive them at 75, and conſtitute the new ſubſcription at 4 *per cent.*? What intereſt could any one have not to ſubſcribe, who at ſuch a time intends to ſell his ſtock? His 3 *per cent.* ſold to government at 75, and turned into a 4 *per cent.* would afterwards, when ſold in the market, produce ¼ *per cent.* more than if it had not been ſubſcribed into the new fund.

Perhaps in Change Alley, where calculation is carried to the utmoſt pitch of refinement, even this eventual advantage to government might ſink the value of the new 4 *per cents.* Let this be allowed. The anſwer is, that when people compute with ſuch nicety, and comprehend in their calculations every circumſtance the moſt minute, it is, I think, the intereſt of a ſtate (whoſe views ſhould extend far beyond the period of human life) to grant a premium upon ſuch ſubſcriptions more than ſufficient to indemnify the ſubſcribers, according to the moſt rigid calculation concerning their preſent advantage.

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CHAP. X.

The ſmalleſt profit to be diſcovered by the niceſt pen will engage the monied man to ſubſcribe; conſequently, the capitals of debts may be diminiſhed, at a loſs to the public almoſt imperceptible. And for this imperceptible loſs in the mean time, the greateſt national advantage may be obtained at a diſtant period.

It is now full time to cloſe this book, which has ſwelled far beyond its due proportion. The ſubject of credit and debts is ſo connected with many queſtions relating to taxes, and to the application of their amount, that the unity of the ſubject would have ſuffered little in blending them together. But as I find it to be a great relief to the memory to interpoſe, now and then, a pauſe; and as taxes were intended to be treated of by themſelves, according to the plan I at firſt propoſed, I ſhall make no alteration in it.

At the end of the firſt and ſecond books, I ſubjoined a chapter of recapitulation; in the third book, this was ſupplied by a very full table of contents; here, becauſe of the intimate connection of the ſubject of this and the following book, I ſhall refer the reader to the end of the volume, for a full recapitulation of both.

END OF THE FOURTH BOOK.

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AN

INQUIRY

INTO THE

PRINCIPLES OF POLITICAL ŒCONOMY.

BOOK V.

OF TAXES, AND OF THE PROPER APPLICATION OF THEIR AMOUNT.

INTRODUCTION.

THE ſubject of taxes is ſo cloſely connected with every branch of political œconomy, that I have not been able to avoid anticipating a ſubject, which, according to my plan, is left for the concluſion of this work.

What has been hitherto introduced concerning taxation, in treating of induſtry, trade, money, credit, and debts, relates principally to the effects of taxes upon circulation, prices, and ſeveral other things relating to thoſe ſubjects.

What therefore remains, not as yet touched upon, chiefly concerns the principles which determine the nature of every tax, relatively to the intereſt it is intended to affect.

To inveſtigate the different conſequences of taxes when impoſed upon poſſeſſions, and when upon conſumption, are queſtions which relate directly to the prin-

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principles of taxation. But in this book I ſhall alſo have occaſion to trace out, farther than as yet I have done, certain combinations concerning the effects which taxes have in multiplying the fund of circulation: and as the augmentation of taxes tends greatly to increaſe money, I am thence led to examine, how far the advantage gained by the ſuppreſſion of taxes may not be more than compenſated to a nation, by the inconveniences proceeding from ſo great a diminution of circulation.

Taxes have all along been ſuppoſed to enhance the price of living; we ſhall therefore have an opportunity of inveſtigating the proper extent to be allowed to that general propoſition.

CHAP.

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CHAP. I.

Of the different Kinds of Taxes.

TAXES have been eſtabliſhed in all ages of the world, under different names of tribute, tithe, tally, impoſt, duty, gabel, cuſtom, ſubſidy, exciſe; and many others needleſs to recapitulate, and foreign to my ſubject to examine.

Though in every ſpecies of this voluminous claſs, there are certain characteriſtic differences; yet one principle prevails in all, upon which the definition may be founded.

I underſtand therefore by *tax*, in its moſt general acceptation, *a certain contribution of fruits, ſervice, or money, impoſed upon the individuals of a ſtate, by the act or conſent of the legiſlature, in order to defray the expences of government.*

This definition may, I think, include, in general, all kinds of burdens which can poſſibly be impoſed. By fruits are underſtood either thoſe of the earth, of animals, or of man himſelf. By ſervice, whatever man can either by labour or ingenuity produce, while he himſelf remains free. And under money is comprehended the equivalent given for what may be exacted in the other two ways.

I have no occaſion to conſider the nature of ſuch taxes as are not in uſe in our days. Tributes of ſlaves from conquered nations are as little known in our times, as contributions of ſubſiſtence from the ſubjects of the ſtate.

I divide, therefore, modern taxes into three claſſes.

1. Thoſe upon alienation, which I call proportional:

2. Thoſe

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2. Thoſe upon poſſeſſions, which I call cumulative or arbitrary: and 3. Thoſe exacted in ſervice, which I call perſonal. Theſe terms muſt now be fully explained, that I may uſe them hereafter without being miſunderſtood.

A proportional tax preſents a ſimple notion.

It is paid by the buyer, who intends to conſume, at the time of the conſumption, while the balance of wealth is turning againſt him; and is conſolidated with the price of the commodity.

Examples of this tax are all exciſes, cuſtoms, ſtamp-duties, poſtage, coinage, and the like.

By this definition, two requiſites are neceſſary for fixing the tax upon any one: firſt, he muſt be a buyer; ſecondly, he muſt be a conſumer. Let this be retained.

A cumulative or arbitrary tax, preſents various ideas at firſt ſight, and cannot well be defined until the nature of it has been illuſtrated by examples.

It may be known, Firſt, By the intention of it; which is to affect the poſſeſſor in ſuch a manner, as to make it difficult for him to augment his income, in proportion to the tax he pays.

Secondly, By the object; when inſtead of being laid upon any determinate piece of labour or article of conſumption, it is made to affect paſt and not preſent gains.

Thirdly, by the circumſtances under which it is levied; which imply no tranſition of property from hand to hand, nor any change in the balance of wealth between individuals.

Examples of cumulative taxes are land-taxes, poll-taxes, window-taxes, duties upon coaches and ſervants,

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ſervants, that upon *induſtrie*, in France, and many others.

A perſonal tax is known by its affecting the perſon, not the purſe of thoſe who are laid under it.

Examples of it are the *corvée*, in France; the ſix days labour on the high roads, and the militia ſervice before pay was allowed in England *.

Having thus explained what I mean by proportional, cumulative, and perſonal taxes, it is proper to obſerve, that however different they may prove in their effects and conſequences, they all agree in this, that they ought to impair the fruits and not the fund; the expences of the perſon taxed, not the ſavings; the ſervices, not the perſons of thoſe who do them.

This holds true in every denomination of taxes. In former days, when annual tributes of ſlaves were made, and even at preſent among the Turks, where it is cuſtomary to recruit the ſeraglios of great men by ſuch contributions, I conſider the young women who are ſent, as part of the fruits of the people who ſend them. This is a fundamental principle in taxation; and therefore public contributions, which neceſſarily imply a diminution of any capital, cannot properly be ranged under the head of taxes. Thus when the Dutch contributed, not many years ago, the hundredth part of their property towards the ſervice of the ſtate, I cannot properly conſider this

* The *corvée* in France is the perſonal ſervice of all the labouring claſſes, for carrying on public works. Were they paid for in money, it is computed they would amount to no more than 1 200 000 livres a year. This tax was omitted in the account of the French revenue,

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BOOK V.

in the light of a tax: it was indeed a moſt public ſpirited contribution, and did more honour to that people, from the fidelity with which it was made, than any thing of the kind ever boaſted of by a modern ſociety *.

CHAP.

* The gentlemen of the Monthly Review for Auguſt 1767, p. 120, have propoſed an objection to the doctrine here laid down; I ſhall therefore inſert the paſſage, and endeavour a reconciliation of opinions, which is a more laudable attempt, than the moſt ſucceſsful refutation.

"In the diſcuſſion of ſo difficult and complex a ſubject as "this of taxes (ſay theſe gentlemen) great care ſhould be taken "that the foundation be laid upon ſolid principles; and that "nothing be admitted upon the authority of the inquirers, be"cauſe the *ſmalleſt error* in firſt principles muſt lead to great "miſtakes and confuſion in the ſubſequent parts of the inquiry. "When our author ſays that *taxes* ought to impair the *fruits* "and not the *fund*; and repreſents this as a *fundamental principle* "*of taxation*—we ſhould have wiſhed to have ſeen the reaſon upon "which this principle is founded; as in our apprehenſion it "wants much of the clearneſs of an intuitive truth——And we "own it appears to us that every man whoſe goods are embark"ed in the political veſſel, riſks the whole; and in equity, as in "all other caſes of inſurance, ought to pay, in the language of "commercial policies, *as intereſt may appear*: which will be in "proportion to the whole riſk, and not in proportion to the pro"fits, or fruits. Thoſe whoſe *funds* are the production of *arti"ficial ſociety*, or protected by the laws of entail, even againſt "the effect of their own folly and extravagance, ought, in our "opinion, to pay for their extraordinary *care* and *ſecurity*, "theſe being benefits which the laborious man has no ſhare "in, and which he lies under no obligation to ſupport with "the *fruits* of his induſtry. For this purpoſe what our author "calls *cumulative taxes* may with great juſtice and propriety be "applied.———"

On theſe judicious remarks I muſt obſerve, that nothing is more requiſite, in the peruſal of this work, than a ſtrict attention to the manner of eſtabliſhing every principle. This was my

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CHAP. II.

Of proportional Taxes, and their proper Object.

CHAP. II.

WHATEVER exists for the use of man, so far as it is considered as a fund for taxation, may be classed under the following heads: 1. The produce

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my particular care in the composition of it, and every oversight in this respect will be the object of a judicious criticism.

I must now examine whether, in this place, I have failed in exactness, as it is here insinuated; or whether my critics have mis-understood the meaning of my words. As for the authority of my opinion, I perfectly agree with them that it should go for nothing.

I have said that it is a fundamental principle in taxation that the *fruits* not the *funds* are to be impaired by the tax. In this I speak strictly in terms of my definition of a tax, inserted in this very Review, p. 119. A tax it is there said is a certain contribution of *fruits service* or *money* imposed on the individuals of a state, &c.

By the words *fruits* and *service*, the fund bearing the fruit, and the person serving, are evidently supposed to be exempted; and in the paragraph following, the *money* exacted is said to comprehend the equivalent given for what *may be exacted in the other two ways*. So according to this express definition all impositions on funds must be classed under a different head from taxes; and these I have called contributions.

My reason for excluding in my definition of a tax, all contributions from funds, such as that made by the Dutch, is that they cannot, by their nature, be annual and perpetual, as taxes, which affect growing fruits only, may easily be. Were such contributions out of property, to be annually levied, over and above the full extent of the value of the fruits or income; the contributors would be reduced to beggary; and the taxable fund

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BOOK V.

duce or fruits of the earth; 2. the produce of the induſtry of man; or 3. his perſonal ſervice. Farther,

Fruits cannot be obtained without the neceſſary labour of man and cattle. As this labour preſup-

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itſelf would in time, become the property of the ſtate. Is it poſſible that the authors of the Monthly Review ſhould wiſh, in any caſe, to ſee taxes carried beyond the extent of any perſon's income or profits on his trade and induſtry? Surely, not: and therefore I muſt ſuppoſe that they have not rightly underſtood my meaning; though I cannot diſcover where any ambiguity lies.

When a man pays inſurance, *as intereſt may appear*, upon a cargo which runs a riſk of being totally loſt, this caſe ſeems to be parallel to that of a perſon who runs the riſk of loſing his whole landed eſtate by a foreign invaſion. In this caſe, indeed, as in the former, he would no doubt willingly give to the conqueror one half of his lands to ſecure the other; but ſuch a caſe conveys, I think, no idea of a tax; nor does property, in any country I know, ſtand on ſo precarious a footing as to make it reaſonable.

Thus far I have ſaid in explanation of my meaning, and in juſtification of the *principle*, or rather of the *definition* by which it is implied, *that taxes ſhould impair the fruits only, and not the fund.*

I now willingly agree with the gentlemen of the Review, that entailed property may very reaſonably be taxed higher than any other, on account of the additional ſecurity. But ſtill this augmentation muſt fall within the income of the entailed lands; becauſe, ſhould it exceed it, it would deſtroy the entail itſelf, which makes the fund unalienable. As to funds, which theſe gentlemen call the production of *Artificial Society*, I can ſay nothing; I do not underſtand this term, and I even take it to be an error of the preſs.

Upon the whole, I confeſs that my anxiety concerning the opinion of the public, in relation to my inquiries into the principles of taxation, was, leſt they ſhould be found to extend too far: It gives me a particular ſatisfaction to find that, by ſome, they are not thought to extend far enough.

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poſes all the neceſſary conſumption of maintenance, &c. the produce of the land muſt be underſtood, relatively to taxes, to be that part only of the fruits which remains after deducting an equivalent for all neceſſary expences in making the earth produce them. The net produce alone of the earth is to be conſidered as a fund liable to taxation; and every contribution which bears not a juſt proportion to this quantity, is wrong impoſed, as ſhall be ſhewn as we go along.

Again, as to the produce of work: this cannot be brought into exiſtence without ſome expence, viz. the maintenance of the workman; that is to ſay, his food, raiment, fire, lodging, and the expence he is at for tools, and every other neceſſary. This we ſhall, for the future, call his phyſical-neceſſary. The value of the work, over and above an equivalent for theſe articles, is the only fund to be taxed with regard to the workman.

As to work itſelf, we have ſeen above (Book II. chap. 26.) in the general diſtribution of things which may be purchaſed with money, how it was ranged under the claſs of things incorporeal. For this reaſon, the work performed cannot come under taxation; and therefore the perſon working, who by work acquires a balance in his favour, is brought to be affected by proportional taxes upon the articles of his conſumption; and when it is found that theſe articles ſuffer no alienation before they are conſumed by him, and conſequently eſcape taxation, then he may either be laid under the cumulative taxes, which will affect his wealth, or under the

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BOOK V.

perſonal, which are paid in work itſelf, and in this reſpect may be conſidered as the fruit of the man.

Nothing would be ſo eaſy as a general rule for impoſing proportional taxes, did the labourers of the ground actually conſume a part of the fruits of the earth, and the other induſtrious claſſes a part of their own work, in lieu of the whole of this phyſical-neceſſary. In this caſe, nothing but what remained of fruits and work, not already conſumed by the immediate producers, would come to market for the uſe of thoſe who do not work; but who have an equivalent to give for it, out of the produce of paſt induſtry. Were this, I ſay, the caſe, then at the time of alienation (or, as we expreſſed it in the 26th chapter of the ſecond book, at the time when the balance of wealth is going to turn in favour of the induſtrious, againſt the idle conſumer) a tax proportional to the value of the alienation might, with the greateſt propriety, be impoſed, as we ſhall preſently diſcover.

This, I hope, will recall to mind the principles deduced in the chapter above cited, where we made it appear, how the induſtrious claſſes, who furniſh conſumable commodities for the price of their overplus, muſt conſtantly have the balance of wealth turning in their favour: and when once they arrive at a certain degree of eaſe, proportional to their ambition, then they give over working, and become incorporated into the claſs of thoſe who have enriched them.

Thus matters go on in a perpetual circle. The induſtrious become eaſy, and the public lays the con-

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conſumers under a perpetual contribution in proportion to their expence.

The hypotheſis we have made, is not entirely agreeable to matter of fact; becauſe the operation of taxes is far more complex than we have deſcribed it to be; but by ſimplifying it, as I have done, it ſerves to give an idea of the reſult, or general conſequence of proportional taxes, which, when properly impoſed, do affect the idle only, but never the induſtrious.

Were, I ſay, the operation of taxation as ſimple as we have repreſented it, nothing would be more eaſy than to deduce its principles. Nothing would come to be refunded to the labourer or workman, at the ſale of his ſurplus. This ſurplus would be equal to the whole produce of the earth, and whole induſtry of the country, deducting the phyſical-neceſſary of all the induſtrious; and this phyſical-neceſſary need not then be deducted; becauſe it is ſuppoſed to be conſumed in the very production of the ſurplus, as the aqueous part of ſea water is conſumed before you can have the ſalt.

This illuſtrates what has been ſaid, viz. that the fruits of the earth are only to be reckoned to exiſt, after deducting the neceſſary expence of providing them. For though in fact a farmer poſſeſſes all his crop after harveſt, yet part of it, *as to him*, is virtually conſumed either out of his own ſtock, or that of others, who have furniſhed him food and neceſſaries all the time it was coming forward; this part conſequently, can neither belong to the ground, or to the farmer.

If it be urged ſtill, that the whole muſt be ſuppoſed to exiſt with regard to the ſtate, I agree to

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the propoſition; but according to our argument, it cannot be ſuppoſed to exiſt in favour of the ſtate, to the prejudice of the farmer; becauſe the total of the farmer's expence muſt be underſtood to have been taken from the ſurplus of other people's induſtry, and therefore if the crop be ſuppoſed to exiſt with reſpect to the ſtate, becauſe it is in the farmer's yard, the ſurplus of other people's induſtry which he has conſumed muſt not be ſuppoſed to exiſt in favour of the ſtate, at the ſame time. But as the farmer is ſuppoſed to have paid the tax upon what he has borrowed and conſumed, he muſt *draw it back* from thoſe who, in their turn, are to conſume his crop: and if he draws it back, he cannot be ſaid to pay it, although the ſtate profits of it as much as if he did.

Does it not appear from this analyſis, that a ſtate can take gratuitouſly and proportionally out of the ſurplus only of fruits and induſtry? Now what is here called ſurplus, relatively to the induſtrious, is the neceſſary fund of conſumption for all the rich and idle; conſequently, were the ſtate to diminiſh any part of the *quantity*, the idle and the rich would be deprived of a ſufficiency: but in regard that thoſe who do not work give money, which is the price of all things, in exchange for what they conſume, the ſtate ſteps in at the time of this exchange, and ſays, we aſk nothing of thoſe who have nothing but their phyſical-neceſſary, this they have been allowed to take; we take none of their ſurplus from them, this we allow them to ſell to you: but as for you, who do not work, and have in your coffers wherewithal to purchaſe the labours of your induſtrious

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duſtrious brethren, this labour you ſhall not profit of, unleſs you give the ſtate a certain value out of your wealth, in proportion to the work and fruit you are going to conſume, although you have contributed nothing towards the production of it.

Hence it appears evident, that without *money* there could be no tax impoſed: for were the ſtate to take their proportion of the real ſurplus, and diſpoſe of it out of the country, a part of the inhabitants would be ſtarved. But by an equivalent's being found, quite different from the ſurplus itſelf, of no uſe for ſubſiſtence, the whole produce of induſtry is left for the uſe of thoſe who have it; the ſtate takes what part of the equivalent they pleaſe from the idle; and nobody ſtarves, except ſuch as have neither money, nor induſtry, nor the talent of exciting the compaſſion of the charitable.

By this ſimple repreſentation of a moſt complicated operation, I have been able to deduce the capital principle of proportional taxation. If the reaſoning be found ſolid, it may be retained: becauſe we ſhall have occaſion to recur to it, at almoſt every new combination.

CHAP. III.

How proportional Taxes are drawn back by the Induſtrious, and how that drawing back is the only reaſon why Taxes raiſe the Prices of Commodities.

WHAT perplexes our notions in the theory of proportional taxation, is, that the induſtrious man, inſtead of bringing his ſurplus only, to

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BOOK V.

market, is obliged to bring the whole of his work.

Let me therefore repreſent him as being creditor upon one part of his work, and proprietor of the other. This will divide it, as it were, into two parts, which I ſhall call (A) and (B).

(A) repreſents that part upon which he is creditor, and anſwers to all the expence he has already been at; that is, to his phyſical-neceſſary, as we have called it. This we have ſaid ought to be conſidered as virtually conſumed by the workman, and if any tax be raiſed upon it, it muſt be done in ſuch a manner as not to affect *him;* that is, he muſt draw it totally back from the perſon to whom he diſpoſes of it. (B) on the other hand, repreſents that part of which he is proprietor, to wit, his profit; and therefore may either be taxed or not, as the ſtate ſhall think fit.

If this be taxed in the hands of the induſtrious man, before it ſuffer an alienation, the tax will be of a cumulative nature. If it be left free to him, and taxed to the perſon who buys it, it will be of the proportional kind, as we ſhall ſee afterwards. Again,

In the firſt caſe, it will check the growing wealth of the induſtrious man; in the ſecond, it will accelerate the diſſipation of the buyer.

Taxes, therefore, of the firſt kind, are proper to be impoſed in countries where the ſtate is jealous of growing wealth, as we have obſerved in the 25th chapter of the ſecond book. If the tax, again, be laid upon the buyer, then the balance will turn in favour of the induſtrious man, in proportion to the full

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full amount of (B), and will produce no other effect than to accelerate the diſſipation of the buyer. CHAP. III.

Let us now take in a new combination.

If, when the whole work is brought to market and ſold, the price ſhall not exceed the value of the induſtrious man's (A), then he is of the claſs of thoſe we call *phyſical-neceſſarians*, who accumulate no profits. If the price of it be leſs than (A), he becomes a load upon the ſtate, a bankrupt to thoſe who have fed him upon credit, and will die for want, unleſs he be ſupported by charity.

So far with regard to the ſeller: next as to the buyer.

The buyer appears at market with his money. When he comes there he muſt give, firſt, an equivalent for the prime coſt of the merchandize: that is, he muſt refund every expence neceſſarily incurred in producing it; that is, he muſt refund the value of (A). Next, the induſtrious man has a claim upon him for his profits, viz. his (B). Then comes the ſtate, who claims a part of his wealth, in regard that he is going to purchaſe what his own induſtry has not produced. This is the tax; I ſhall call it (C). This tax will be found of the proportional kind. It will not affect the growing wealth of the ſeller, but it will accelerate the diſſipation of the buyer; and will pull down the ſcale againſt him, in favour of the induſtrious. This is a proper tax, in countries where the ſtate obſerves the maxim of ſharing the wealth of thoſe who diſſipate.

Let us now take in another combination. Let us ſuppoſe this buyer to be an induſtrious perſon, and the thing bought to be a neceſſary material for

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the manufacture in which he is employed. Is it not plain, that when the ſecond induſtrious man comes to market to ſell his work, which I alſo ſuppoſe to be compoſed of his (A) and his (B), that his (A) becomes a ſtill more compounded body? It firſt includes his own phyſical-neceſſary, as above: Secondly, the (A) and (B) of the man from whom he bought the materials: and, Thirdly, the (C) which he paid to the ſtate for the liberty of acquiring what he himſelf had not produced.

Whoever therefore buys from the ſecond induſtrious man, muſt, in like manner, refund to him his full (A); he muſt alſo pay him his (B); and then he will find the ſtate claiming their (C), as in the former operation.

This being done, let us examine the intereſts of all parties. The firſt induſtrious man has no reaſon to complain of the tax; becauſe he was paid his neceſſary expence (A), and alſo his (B) for his profit; and the ſtate realiſed the tax at the expence of the ſecond induſtrious man, who paid it. Now we ſaid that the diſſipation of his wealth was accelerated in proportion to the value of what he paid for (C); but as he is none of the idle, and as the thing he bought was a material neceſſary for his manufacture, the ſecond buyer finds himſelf obliged to refund the whole amount of the firſt (A), (B), and (C); becauſe the ſum of them makes a part of the ſecond man's (A). Now it is the refunding of this (C) to the induſtrious man which is the only circumſtance, from which proceeds the riſe in the price of commodities, in conſequence of proportional taxes. Moreover, the ſecond buyer muſt pay the ſecond

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ſecond induſtrious man's (B), in favour of the balance which is going to turn againſt him; and laſt of all, he muſt pay the ſecond (C), which is the ſhare the ſtate requires of him, in order to accelerate his diſſipation.

Now let us obſerve, that if the commodity bought by the ſecond induſtrious man, be not neceſſary for the exiſtence of his manufacture, it cannot enter into his (A), and therefore muſt be diminiſhed upon his (B); and if his (B) cannot pay it, then he will owe it to ſome body, and for the future muſt either abſtain from ſuch expences, or leave off working, in favour of thoſe who can live without them.

Let me illuſtrate all this by an example.

A tanner ſells his leather to a ſhoemaker; the ſhoemaker in paying the tanner for his leather, pays the tanner's ſubſiſtence and profit, and the tax upon leather.

The man who buys the ſhoes for his own conſumption, refunds all this to the ſhoemaker, together with his ſubſiſtence, profit, and the tax upon ſhoes; conſequently, the price of ſhoes are raiſed, only by refunding the taxes paid by the induſtrious.

But if the ſhoemaker's ſubſiſtence ſhall happen to include either tavern expences, or his conſumption on idle days, he will not draw theſe back; becauſe other ſhoemakers who do not frequent the tavern, and who are not idle, will underſell him; he muſt therefore take his extraordinary expence out of his profits; and if his profit be not ſufficient, he muſt run in debt to the tavern-keeper.

The extravagance and idleneſs, therefore, of particular workmen does not check induſtry, nor raiſe prices;

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prices; for theſe will always be in proportion to demand, and there is no reaſon why demand ſhould either riſe or fall, becauſe a particular workman is extravagant, or conſumes a commodity not neceſſary for his manufacture or ſubſiſtence.

From this example there ariſes a new combination: that in proportion as the induſtrious do not conſume of the produce of their own induſtry, but come to market with the whole, and then purchaſe the work of others, they are conſidered, as to taxes, in the light of idle conſumers, who do not work, but who purchaſe with money the fruits of the induſtry of others. By this operation, the taxable fund is augmented beyond the extent of the general ſurplus called (B). The reaſon is plain. Whatever is brought to market is ſuppoſed to be ſurplus, as it *may* there be bought by the idle, as well as the induſtrious. The only difference is, that the firſt do not draw back the tax, and that the ſecond do, as we have already ſhewn.

From this reaſoning we may conclude, that the way to carry proportional taxes to their utmoſt extent, is to draw all commodities to market, to engage every one to carry thither the whole produce of his induſtry, and there to buy whatever he ſtands in need of.

But which way will you engage either a farmer to ſell his crop, and buy ſubſiſtence from another; or a ſhoemaker to ſell his own, and buy his neighbour's ſhoes? The thing is impracticable; and were it attempted, it would prove an arbitrary proceeding, and a cumulative tax laid upon their induſtry: a tax which, by the nature of it, *they cannot draw back*,

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back, as we ſhall preſently ſee, and from this circumſtance alone proceeds the whole oppreſſion of it.

Let me next analize the price paid by the laſt buyer, whom we have called the rich and idle conſumer of the manufacture, who can draw nothing back from any body.

Is it not compoſed of the whole value of the ſubſiſtence, of the work, of the profits, of the tax? The whole reimburſement of all former payments and repayments comes upon him. Thoſe who have been at all the expence, appear in the light of his ſervants and agents, who have only advanced money upon his account.

How abſurd, therefore, is it either to ſay, that all taxes fall ultimately upon land; or as others, for no better reaſon, pretend, that they fall upon trade. I ſay, that this claſs of taxes which I have now been deſcribing, and which I ſhall ſtill more fully explain in a ſubſequent chapter, never can fall either upon, or affect any perſon but the idle; that is to ſay, the not induſtrious conſumer. If there be found a poſſibility for any conſumer to draw back the tax he has paid, I ſay he is of the claſs of the induſtrious, in one way or other: and farther I ſay, that ſuch a tax raiſes the price of the commodity. But by drawing back, I underſtand, that the repayment is an inſeparable conſequence of his having paid the tax. I do not, for example, ſay that a place-man draws back his taxes by the emoluments of his office: but I ſay a brewer draws back his exciſe by the ſale of his beer.

Let this principle alſo be retained, that with reſpect to the conſumption of ſuperfluities by the manufac-

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nufacturing claſſes, they alſo muſt be conſidered as being of the claſs of the rich and idle, as much as the firſt Duke in England. When therefore the extravagance of the manufacturing claſſes becomes general, and when the rate of the market can afford them great wages, relatively to the price of neceſſaries, ſuch profits conſolidate into the price of the manufacture, according to the principles laid down in the 10th chapter of the ſecond book. The ſtateſman then muſt endeavour to create a competition among them, by introducing freſh and untainted hands into ſuch branches. This will be a ſure check upon the diſſipation of the induſtrious, and, if rightly applied, will prevent all frauds, all pretences for the riſe of the price of labour on account of taxes: and, if carried to its full extent, will prevent any induſtrious perſon from enjoying either a day's idleneſs, or the ſmalleſt ſuperfluity; except in conſequence of his peculiar dexterity, or extrinſic advantages.

CHAP. IV.

Of cumulative Taxes.

I SHALL not here repeat what I have already ſaid concerning the characteriſtics of this kind of impoſition; but after citing ſome examples, I ſhall examine it more cloſely, as to its nature and conſequences.

The moſt familiar examples of it to an Engliſhman, are tithes, land-tax, window-tax, and poors-rates.

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The moſt familiar examples to a Frenchman, are the *Taille*, *Fourage*, and *Uſtencil*, (which go commonly together); alſo the *Capitation*, the *Dixieme*, the *Vingtieme*, and the *Induſtrie**.

The nature of all theſe taxes, is, to affect the poſſeſſions, income, and profits of every individual, without putting it in their power to draw them back in any way whatever; conſequently, ſuch taxes tend very little towards enhancing the price of commodities.

Thoſe who come under ſuch taxes, do not always conſider that their paſt induſtry, gains, or advantages of fortune, are here intended to ſuffer a diminution, in favour of the ſtate; for which out-going they have, perhaps, made no proviſion.

When people of the lower claſſes, inſtead of being ſubjected to proportional taxes, are laid under ſuch impoſitions, there reſults a great inconvenience. They are allowed to receive the whole profit of their induſtry, which in the former chapter we called their (B), the ſtate however reſerving to itſelf a

* The *Taille* is properly a land-tax, to which men called *noble* are not ſubjected. The reaſon of which is, that it was originally impoſed in lieu of ſuch perſonal military ſervices as were peculiar to the lower claſſes.

The *Fourage* and *Uſtencil* are laid upon all thoſe who pay the *taille*, and are in proportion to it. The firſt is appropriated for the ſubſiſtence of the cavalry, when they are in quarters; the laſt for kettles and ſmall utenſils for the infantry.

The *Capitation* is the poll-tax. The *Dixiemes* and *Vingtiemes* have been already explained, and tithes are well known to every one.

The *Induſtrie* is that impoſition arbitrarily laid on by the Intendants of provinces, upon all claſſes of induſtrious people, in proportion to their ſuppoſed profits in every branch of buſineſs.

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claim for a part of it: this, inſtead of being paid gradually, as in a proportional tax, is collected at the end of the year, when they have made no proviſion for it, and conſequently, they are put to diſtreſs.

Beſides, how hard is it to deprive them of the power of drawing back what they pay? And how ill judged to truſt money with thoſe who are ſuppoſed to gain only an eaſy phyſical-neceſſary? An equivalent for procuring the articles of eaſe and luxury, ſhould not be left in the hands of thoſe who are not permitted to enjoy them.

From this we may conclude, Firſt, That the more ſuch taxes are proportional to the ſubject taxed, Secondly, the more evident this proportion appears; and Thirdly, the more frequently and regularly ſuch taxes are levied; the more they will reſemble proportional taxes, and the leſs burden will be found in paying them. Let me illuſtrate this by ſome examples.

The ſtoppage upon a ſoldier's pay, either for the invalids, or Chelſea, is a cumulative tax; but the method of levying it gives it all the advantages of one of the proportional kind. Firſt, It bears an exact and determinate proportion to the value of his pay. Secondly, This proportion he knows perfectly. And Thirdly, Inſtead of receiving the whole into his own poſſeſſion, and paying the hoſpital at the end of the year, it is regularly and gradually retained from him at every payment.

Tithes are a cumulative tax; but they are accompanied with all the three requiſites to make them light; although in other reſpects they are exceſſively bur-

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burdenſome. Firſt, They bear an exact proportion to the crop. Secondly, This proportion is perfectly known. Thirdly, Nature, and not the labourer, makes the proviſion. But they fall upon an improper object: they affect the whole produce of the land, and not the ſurplus; which laſt is the only fund that ought to be taxed, as has been ſaid.

The land-tax in Scotland bears, Firſt, a very determinate proportion to the valuation of the land; and has, Secondly, the advantage of being well known to every contributor; ſo that proviſion may eaſily be made for it. But the third requiſite is wanting: the proprietor having the public money in his hands, often applies it to private purpoſes; and when the demand is made upon him, he is put to diſtreſs.

The *taille*, in many provinces of France, bears, firſt, a very exact proportion to the value of the land *.

But in the ſecond place, the proportion is entirely unknown to the man who pays it; being nowhere to be ſeen but in the offices of the intendant and his deputies.

And in the laſt place, the whole payment comes at once.

What hides, and conſequently deſtroys this proportion with reſpect to the French *taille tariffée*, is, that if after the firſt diſtribution is laid on, as in Scotland, at ſo many ſhillings in the pound of valuation, the full ſum intended to be raiſed do not

* This ſort of *taille* is called *tariffée*; becauſe it is impoſed according to a valuation of the land. It is a late improvement; but ſtill is expoſed to numberleſs inconveniences, which are mentioned in the text.

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come in; either becauſe the intendant has given exemptions to certain pariſhes, on account of the accidents of ſterility, hail, mortality among the cattle, and the like; or becauſe the property of a part of the pariſh has fallen into the hands of people exempted from the *taille*; or laſtly that others, who were really bound to pay a part of it, are become inſolvent. The intendant muſt then make a ſecond, and perhaps a third general diſtribution of the deficiency upon all the former contributors, in the moſt exact proportion indeed to the valuation of the lands, but yet by the nature of it impoſſible to be foreſeen. It is for theſe reaſons chiefly that the *taille* in that kingdom is ſo grievous.

Theſe ſecond diſtributions of the tax, Firſt, deſtroy the proportion between the tax and the revenue taxed. Secondly, They make it impoſſible to judge of the amount of them. And laſtly, the demand comes at once, when, perhaps, the money has been otherwiſe applied.

The French tax upon induſtry is more grievous ſtill; becauſe none of the three requiſites abovementioned are allowed to operate.

This tax is ſuppoſed to be proportional to the profits made upon trade, and other branches of induſtry, not having the land for their object. All merchants and tradeſmen, in cities, and in the country, pay the tax called *Induſtrie*; and the reaſon given for eſtabliſhing this tax, as I have ſaid in another place, is in order to make every individual in the ſtate contribute to the expence of it, in proportion to the advantages he reaps. Nothing would be more juſt, could it be put in execution, without doing

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doing greater hurt to the ſtate, than the revenue drawn from it can do good.

I ſhall now ſhew how, in this tax, all the three requiſites we have mentioned are wanting.

Firſt, by its nature, it can bear no exact proportion to the profits of the induſtrious man; ſince nobody but the perſon taxed can ſo much as gueſs at their extent.

Secondly, It cannot poſſibly be provided for, as no check can be put upon the impoſer, unleſs as far as general rules are laid down for each claſs of the induſtrious; and from theſe again other inconveniences flow, as ſhall be obſerved.

Thirdly, It comes at once upon poor people, who have been frequently forced to beg for want of employment before the tax-gatherer could make his demand; and thoſe who remain, frequently become beggars before they can comply with it.

I ſay, that from the general rules laid down for regulating this tax, as to every claſs, a workman who has a large family to maintain, is no leſs taxed than one who has no charge but himſelf: and it will be allowed, I believe, that the profits of one induſtrious perſon of the lower claſſes, is in no country ſufficient to pay any conſiderable tax, and maintain a large family, much leſs a ſickly one. I therefore imagine, that cumulative taxes never ſhould be raiſed upon ſuch claſſes of inhabitants as have no income but their perſonal induſtry, which is ſo frequently precarious.

Merchants alſo ought not to be ſubjected to any tax upon their induſtry. They ought to be allowed to accumulate riches as faſt as they can: becauſe

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they employ them for the advancement of induſtry; and every deduction from their profits is a diminution upon this ſo uſeful a fund.

When cumulative taxes are laid upon any of the induſtrious claſſes, they tend to check growing wealth; and are moſt commonly impoſed in monarchical ſtates, where riches are apt to excite jealouſy, as has been obſerved.

But as to the claſs of land proprietors, that is to ſay, the more wealthy inhabitants, who live upon a revenue already made, the impropriety of cumulative taxes is much leſs. They are however burdenſome, and diſagreeable in all caſes, and ought to be diſpenſed with, when the neceſſary ſupplies can be made out by proportional taxes, without raiſing the prices of labour too high for the proſperity of foreign trade.

From the examples I have given of this branch of taxation, I hope the nature of it may be fully underſtood, and that for the future no inconvenience will ariſe from my employing the term of *cumulative tax*. I ſhall now ſubjoin its definition.

A *cumulative tax*, is *the accumulation of that return which every individual, who enjoys any ſuperfluity, owes daily to the ſtate, for the advantages he receives by living in the ſociety*. As this definition would not have been underſtood at ſetting out, I thought it proper, firſt, to explain the nature of the thing to be defined.

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CHAP. V.

Of the Inconveniences which proceed from proportional Taxes, and of the Methods of removing them.

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A PROPORTIONAL tax, as I have ſaid, is that which is levied upon the idle conſumer, at the time he buys the commodity; and while, by conſuming it, the balance of wealth is turning againſt him, in favour of the ſeller. This tax is conſolidated as it were with the price of the commodity, and muſt of neceſſity raiſe the price of it.

I ſay, it is levied at the time of buying, and affects the buyer, in conſequence of his conſumption; becauſe we have ſeen, that when the commodity is not conſumed by the purchaſer, then upon a ſubſequent alienation he is refunded all he paid. I conſider him therefore, in this caſe, not as *paying*, but as *advancing* the amount of the tax for another; and while any part of the commodity remains unconſumed, there ſtill remains the equivalent for a proportional part of the tax in the hands of him who advanced it.

I ſhall now proceed, as in the former chapter, by giving ſome examples of ſuch impoſitions; and in examining them, endeavour to ſhew their nature and conſequences.

The moſt familiar to an Engliſhman are, *exciſes*, *cuſtoms*, *malt-tax*, *ſtamp-duties*, and the like.

To a Frenchman the *gabelle*, the *traittes*, the *aides*, *tobacco*, &c.*

In

* The *gabelle* is a branch of the general farms, and conſiſts of an exciſe upon ſalt. The manufacture of the commodity is

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In all kinds of this impoſition we find the tax regularly reimburſed from hand to hand; it adheres ſo cloſely to the commodity, that it becomes as eſſentially a part of the value, as carriage, packing, and the like incident charges, enter into the prices of goods. It never can affect the induſtrious perſon who does not conſume; and never can be avoided by

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in the hands of the farmers; and they, for a liberty to ſell ſalt at a certain price, far above the expence of the manufacture, pay to the King an annual revenue of 28 millions of livres.

This I call a proportional tax, relatively to conſumers; although in reality no tax-gatherers be employed for the collection of it, contrary to what is the caſe of all exciſes; which are ſeldom farmed by government to the manufacturers of the commodity taxed.

The *traittes*, or, as they are otherwiſe called, the five great farms, were eſtabliſhed by Colbert, when he took away a multitude of cuſtoms paid upon the tranſportation of goods from one province to another. They, the *traittes forainas* at leaſt, reſemble very much our cuſtoms, or the duties of tunnage and poundage, and are let to the farmers general for the ſum of 12 millions.

The *tobacco* is of the ſame nature with the ſalt tax. The farmers general have the excluſive privilege of ſelling it at a price fixed by the King.

For the farm of the tobacco are paid 15 millions.

The *aides* reſemble our exciſes more than thoſe we have mentioned. They conſiſt in duties upon liquors, either brought into towns, or ſold by retail in public houſes; and upon all articles of food ſold in corporations, except grain of every kind, which is free. They comprehend alſo a multitude of other duties ſuperfluous to enumerate. They are collected by tax-gatherers at the gates of every town, who alſo have acceſs to all public houſes, where retail is laid under additional rates. The *aides* are farmed at 38 600 000 livres. Theſe were the rates in the farms let in 1755. They have been ſince augmented in 1762, as has been obſerved.

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by him who does. Such taxes therefore neceſſarily raiſe the price of the commodity taxed.

Having already pointed out the principal advantages of proportional taxes, which is to throw the whole of the burden upon the rich, whom we have called the idle conſumers, the better to diſtinguiſh them from the opulent claſs of the induſtrious; I muſt now enumerate the principal inconveniences complained of, from this mode of taxation, and trace out the principles from which they may be aſcertained and removed.

The principal inconveniences alleged againſt proportional taxes may be reduced to three:

Firſt, That they have the effect of raiſing the price of labour, and the produce of induſtry, and thereby prove hurtful to the proſperity of foreign trade.

Secondly, That they diſcourage conſumption, by carrying the prices of many things too high for people of a middling rank in life.

Thirdly, That they are both expenſive in the collection, and oppreſſive, from the many reſtrictions put upon liberty, in order to prevent frauds.

In analyzing every one of theſe inconveniences, it will be proper to inquire, how far the concluſions againſt thoſe taxes are drawn from matter of fact; how far from plauſible appearances only; and ſo far as they are real, not imaginary, to diſcover the methods of removing them.

As the firſt inconvenience ariſes from the raiſing of the price of all kinds of labour, and conſequently of manufactures, I muſt diſtinguiſh between the conſequence of raiſing prices at home, and of raiſing

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them upon articles of exportation; and I muſt conſider the one and the other relatively to the collective body of a ſtate, and not to ſome few individuals in it.

High prices at home are no diſcouragement to the induſtrious, moſt certainly, however diſagreeable they may prove to conſumers; and while they ſtand high, it is a proof that the demand of the conſumers does not diminiſh.

High prices upon goods to be exported, are to be judged of by the proportion they bear to thoſe in other countries.

Now the price of a manufacturer's wages is not regulated by the price of his ſubſiſtence, but by the price at which his manufacture ſells in the market. Could a weaver, for example, live upon the air, he would ſtill ſell his day's work according to the value of the manufacture produced by it, when brought to market. As long as he can prevent the effects of the competition of his neighbours, he will carry the price of his work as high as is conſiſtent with the profits of the merchant, who buys it from him in order to bring it to market; and this he will continue to do, until the rate of the market be brought down.

It is therefore the rate of the market for labour and manufactures, and not the price of ſubſiſtence, which determines the ſtandard of wages. Were proportional taxes to raiſe the price of ſubſiſtence, and by that circumſtance to diſcourage manufactures we ſhould ſee the generality of workmen living with ſobriety, depriving themſelves of ſuperfluity, confining themſelves to the plain but ſufficient phyſical neceſ-

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neceſſary, working with all the aſſiduity a man can ſupport, and ſtill not be able to ſupply the market at the ordinary rates. CHAP. V.

When in any country the work of manufacturers, who live luxuriouſly, and who can afford to be idle ſome days of the week, finds a ready market; this circumſtance alone proves beyond all diſpute, that ſubſiſtence in that country is not too dear, at leaſt in proportion to the market prices of goods at home; and if taxes on conſumption have, in fact raiſed the price of neceſſaries, beyond the former ſtandard, this riſe, cannot, in fact, diſcourage induſtry: it may diſcourage idleneſs; and idleneſs will not be totally rooted out, until people be forced, in one way or other, to give up both ſuperfluity and days of recreation.

People are very apt to draw concluſions from what they think ought to be, according to the particular combinations they form to themſelves; and for this reaſon it is generally thought, becauſe taxes are higher in England than in ſome other countries, that foreign trade ſhould therefore be hurt by them. But the ſloth and idleneſs of man, and the want of ambition in the lower claſſes to improve their circumſtances, tends more, I ſuſpect, to leſſen the productions of induſtry, and thus to raiſe their price, than any tax upon ſubſiſtence which has been hitherto impoſed in this kingdom.

The whole of this doctrine is proved by experience, and is confirmed by our natural feelings. Many have been amazed to ſee how well the manufacturing claſſes live in years of ſcarcity, which frequently have the effect of doubling the price of the moſt

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moſt neceſſary articles of ſubſiſtence. Are they not found, in bad years, more aſſiduous in their labour? Do they then frequent ale-houſes, as in the years of plenty? Are they found idle one half of the week? Why ſhould a tax laid on by the hand of nature prove ſuch a ſpur to induſtry; and another, ſimilar to it in its effect, laid on by the hand of man, produce ſuch hurtful conſequences? Were a courſe of bad years, I dare not ſay an increaſe of taxes, to continue long enough to bring manufacturers to a habit of ſobriety and application, a return of plenty, and low prices, would throw into their coffers, what many of them diſſipate in riot and prodigality.

Even this concluſion will be too general, if every circumſtance be taken in. Manufacturers there are, who work hard, and live ſoberly ſix days of the week, and who at the end find little ſuperfluity, notwithſtanding the high price of labour. Alas! they have many mouths to feed, and two hands only to ſupply the neceſſaries. This is the fatal competition ſo much inſiſted on in the firſt book, and by which a door is opened to great diſtreſs. Either the unmarried gain what the married ſhould do, and become extravagant, or the married gain no more than the unmarried can do, and become miſerable.

The average between the two ought to determine the rate of wages in every modern ſociety.

The remedies for this unequal competition, flowing from the happy liberty we enjoy, have been conſidered in another place.

The inconvenience here under examination will not be removed by an abolition of taxes; nor will it

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it increaſe by the augmentation of them, as long as manufacturers, upon an average, enjoy ſuperfluity and idle days.

Under theſe circumſtances I conclude, that if foreign trade ſuffer by the high prices of commodities in our markets, the vice does not proceed from our taxes, but from our domeſtic luxury, which ſwells demand at home. Were we leſs luxurious, and more frugal in our management in general, all claſſes of the induſtrious, from the retailer down to the loweſt manufacturer, would be ſatisfied with more moderate profits. Let not, therefore, a ſtateſman regulate his conduct upon ſuppoſitions, nor conclude any thing from theory, nor from arguments *à priori*, drawn from the ſuppoſed effects of taxes; but let him have recourſe to information and experience concerning the real ſtate of the matter.

Let him inquire what are the prices abroad; what are the prices at home; how thoſe who work in exportable commodities live; what ſuperfluities they enjoy; and what days of idleneſs they indulge in.

If he find that goods are not exported, becauſe of high prices, while manufacturers are enjoying ſuperfluity, and indulging themſelves in idleneſs, let him multiply hands, and he will reduce them all to their phyſical-neceſſary; and by thus augmenting the ſupply, he will alſo reduce the prices in his markets at home.

If he want to reduce prices ſtill lower, in favour of exportation, but find that he has occaſion for the amount of certain taxes, which enhance the value of this phyſical-neceſſary, to which he has reduced his

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his induſtrious claſſes, then let him grant a bounty upon the quantity exported, more than equivalent to compenſate the riſe of prices occaſioned by the taxes paid by thoſe who provide it; and let the people at home continue to pay dearer than ſtrangers, in favour of the ſtate. If by lowering prices you wiſh to promote exportation only, there will be no occaſion to lower them univerſally, any more than there is occaſion to put a large plaiſter over the whole body, to cure a ſmall wound on a particular part of it.

I have ſaid, that while the rate of the market remains the ſame, ſo will the prices of every part of labour and induſtry, which enters into the compoſition of the thing brought to market. This is conſiſtent with reaſon, and experience proves the truth of it; becauſe we do not ſee wages fluctuate with the price of living. If they do not fluctuate in that proportion, how can we conclude that a riſe in the price of ſubſiſtence, occaſioned by taxes, ſhould raiſe wages more than when the price is raiſed by a natural ſcarcity. It may be anſwered, that the impoſition of a tax gives a general alarm; the effect it muſt have upon prices is immediately felt; and manufacturers then inſiſt upon an augmentation of their wages: whereas, when nature either produces the ſame, or even a greater effect, people ſubmit to what they think comes from the hand of God, and content themſelves with the hopes of better times. I ſhall allow to this argument all its force.

But I muſt obſerve, that when manufacturers can thus capitulate with their employers, and can inſiſt upon an augmentation of their wages, the de-

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mand of the market muſt be greater than the ſupply from their work. This is the circumſtance which raiſes the price of labour. Let the demand of the market fall, the prices of labour will fall, in ſpite of all the reaſons which ought naturally to make them riſe. The workmen will then enter into a hurtful competition, and ſtarve one another, as has been often obſerved. Let the demand of the market riſe, manufacturers may raiſe their wages in proportion to the riſe of the market; they may, in the cheapeſt years, enjoy the higheſt wages; drink one half of the week, and laugh at their employer, when he expects they ſhould work for leſs, in order to ſwell his profits in the riſing market.

I have endeavoured to throw this queſtion into different ſhapes, the better to apply different principles to it; and upon the whole, I muſt determine that proportional taxes will,

First, Undoubtedly raiſe the price of every commodity upon which they are properly and immediately impoſed; and if they be laid upon bread, and other articles of nouriſhment, they will directly raiſe the price of theſe articles in proportion; but the price of labour will be raiſed conſequently only, and according to circumſtances.

That if taxes be laid upon the day's labour of a man, they will raiſe the price of that day's labour. What I mean by this, is, that if every one who employs a man for a day, were obliged to pay a penny to the ſtate, for a permiſſion to employ him, the employer would charge a penny more at leaſt upon the day's work performed by the labourer. Were a tax equivalent to it laid on the labourer by the year,

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year, it would be of a cumulative and arbitrary nature, and would not raiſe the price of his wages in proportion; but were it laid upon the workman at a penny a day, and levied daily, in this caſe, he might raiſe his wages in proportion. But this is not the practice any where.

Secondly, The price of ſubſiſtence, whether it be influenced or not by the impoſition of taxes, does not determine the price of labour. This is regulated by the demand for the work, and the competition among the workmen to be employed in producing it.

Thirdly, If wages riſe beyond the phyſical-neceſſary of the workman, they may be brought down by multiplying hands, but never by lowering the price of neceſſaries; becauſe every man will make a profit of the low price, but will regulate his gain by the rate of demand for his labour.

Fourthly, If, therefore, the price of his phyſical-neceſſary be raiſed upon him by the effect of taxes, he muſt work the harder to make it up.

Fifthly, If hands increaſe, after he is reduced to his phyſical-neceſſary, the whole claſs of the manufacturers will be forced to ſtarve.

Sixthly, The increaſe of hands means no more than the augmentation of the quantity of work produced. If, therefore, the ſame hands work more than formerly, it is the ſame thing as if their numbers were increaſed.

From theſe poſitions it ſeems to reſult, that whenever it is found that manufacturers enjoy wages more than in proportion to their phyſical-neceſſary through the year, reckoned upon the general aver-

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age of married men and batchelors, the method for reducing them to the proper ſtandard, is either to multiply hands, if you want to reduce prices in your own market, or to augment the price of their phyſical-neceſſary, if you would have them remain the ſame. When the hands employed are really diligent, and prices ſtill too high, then it may be expedient to increaſe their numbers, provided they enjoy conſiderable profits. This will cut off conſolidated profits, and lower the price of commodities; becauſe it will augment the ſupply.

When the hands employed are not diligent, the beſt expedient is to raiſe the price of their ſubſiſtence, by taxing it. By this you never will raiſe their wages, until the market can afford to give a better price for their work. If, when they are brought to be fully employed, you would have the price of labour to ſink univerſally, you muſt take off ſome of the impoſitions which affect ſubſiſtence, and at the ſame time gradually throw in freſh hands, in order to promote competition, which alone will force them to lower their prices in proportion. The whole delicacy of this operation is to prevent competition among the induſtrious from taking place after they are reduced to moderate profits; and to promote competition among them, or to raiſe the price of their ſubſiſtence, until they be brought to the proper ſtandard. Having inſiſted ſo fully upon theſe principles in the xviiith chapter of the ſecond book, I here refer to it.

I have ſaid, that the price of work is not regulated by the price of ſubſiſtence, but by the price of the market for the work. Now I ſay, that the price of

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of the market may in a great meaſure be influenced by the price of ſubſiſtence. This is a new combination.

The firſt propoſition is undeniable. The price of the market at all times *regulates* the price of work; becauſe it regularly makes it fluctuate, in proportion to its own fluctuations. The price, again, of ſubſiſtence *influences* it only; becauſe two circumſtances may deſtroy its effect. A high demand for work will raiſe the price of wages in years of plenty: a low demand will ſink the price of wages in years of ſcarcity. When therefore it is ſaid, that the price of ſubſiſtence *influences* the rate of markets, we only mean, that the average price of ſubſiſtence, when good and bad years are taken together, have a certain influence in regulating prices. But this average price of ſubſiſtence cannot every where *regulate* the value of work, as the average price of a ſhip's cargo can regulate the price of every part of it; becauſe the variations in the price of ſubſiſtence have not efficacy ſufficient to overbalance the variations in the ſtate of demand.

Could a plan be concerted, either to preſerve the price of grain at one uniform ſtandard, or within the limits of 15 or perhaps 20 *per cent.* at all times; and were this to be executed by the aſſiſtance of a tax at one time, and a bounty as it were at another; it would certainly have an admirable effect in every induſtrious nation. It would in a manner take away the difference between good and bad years. The induſtrious finding themſelves ſubſiſted at all times nearly at the ſame expence, would not feel thoſe alternate motives to be idle and extravagant at one time, and diligent and ſober at another.

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I have enlarged ſo much upon the nature of this firſt inconvenience proceeding from proportional taxes, that I have left myſelf very little to ſay as to the ſecond, which is,

Secondly, That they diſcourage conſumption, by raiſing prices too high for people of a middling rank in life.

In anſwer to this, I muſt obſerve, that all the amount of proportional taxes is refunded to the induſtrious conſumer, ſo far as they are raiſed on articles *neceſſary* for his ſubſiſtence; and when he is either idle, or conſumes a ſuperfluity, he is claſſed along with the idle and rich. Now if the rate of market prices be high, relatively to the income of certain individuals, it can only be becauſe the ſupply of the things they want to conſume is not above the proportion of the demand of thoſe who are richer.

If, therefore, the rate of the market afford ſuch profits to manufacturers as to render them idle and luxurious, how can the augmentation of theſe profits, by the abolition of taxes, and conſequent diminution of the price of ſubſiſtence, ever diminiſh the competition of the rich, unleſs the ſupply be augmented?

But if the high prices of our own markets cut off the demand of ſtrangers, then every principle laid down in the 10th and 18th chapters of the ſecond book, muſt be applied to bring them down: and as far as taxes, which are impoſed either to ſupply the exigencies of the ſtate, or to cut off conſolidated profits, enjoyed by manufacturers in conſequence of our own extravagance, have contributed either

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to raiſe them, or to ſupport them when raiſed, above the foreign ſtandard, a full equivalent, in the way of bounty, muſt be given for them, in order to bring the exportation price of goods below the level of foreign competition.

I come now to the laſt inconvenience alleged againſt proportional taxes, to wit, the expence of collecting them, and the oppreſſion which is a conſequence of the many reſtrictions laid upon liberty, in order to prevent frauds.

As to the expence of collection, it is entirely in proportion to the diſpoſition of the people to defraud the public.

In France, the collecting the branches of cumulative taxes, ſuch as the general receipts, comprehending the taille, poll-tax, &c. coſts the ſtate no leſs than 10 *per cent.* or two ſols in the livre, which is ſuperadded to thoſe impoſitions, in order to defray that expence. Whereas in England the expence of collecting the exciſe, adminiſtered by commiſſioners, who act for the public, not by farmers who act for themſelves, does not coſt above 5*l.* 12*s.* 6*d.* in the 100*l.*

This matter of fact is ſufficient to prove, that exciſes, when under a proper adminiſtration, are not ſo very expenſive in the collection as is generally imagined; and they would ſtill be attended with leſs expence, were ſome proper alterations made in the preſent method of impoſing them. This will appear as we go along.

The *oppreſſion* of levying exciſes does not, in any proportion, ſo much affect thoſe who really *pay* them, as thoſe who *advance* them only for the conſumers.

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This diſtinction which we have already made, will appear well founded, upon examining the complaints which are commonly made againſt the collectors of this duty.

We have ſeen how in the taxes upon ſalt and tobacco in France, there are no duties collected upon the people; the farmers of the ſalt have all the ſalt marſhes and ſalt pits aſſigned to them by the King; no perſon, not privileged, is allowed to make ſalt for the conſumption of thoſe provinces which are ſubjected to the Gabelle.

In like manner the diſtribution and ſale of tobacco is excluſively veſted in the hands of the farmers: they buy it either from Great Britain, or from the Dutch at ſecond hand; they manufacture it themſelves, and ſell it over all France, at the price ſet upon it by the King; and we ſaw, that during the laſt war, they paid thirty millions down, for a permiſſion to raiſe the price of it 10 *per cent.* during ten years. This price fixed upon the ſale of tobacco, anſwers exactly to what we know under the name of aſſize, which ought conſtantly to attend all exciſes*: for want of obſerving exactly this regulation, the

* When exciſes are impoſed upon any commodity, it is contrary to all principles in fixing the aſſize, not to ſuperadd the whole duty impoſed to the former ſelling price. This however is ſometimes omitted, with an intention to make part of the duty fall upon the manufacturer, to the eaſe of the ſubject. The conſequences are,

Firſt, The manufacturers blow up the ſpirit of the people againſt the tax, who never would think of making an outcry, were they not excited to it by the intereſted motives of the manufacturers. Were high profits allowed to manufacturers on im-

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the publicans and victuallers in England raiſed the price of their ſtrong beer one halfpenny *per* quart, in conſequence of an additional duty of three ſhillings *per* barrel impoſed *anno* 1761, which is at the rate only of one farthing *per* quart †.

When the ſale of an exciſeable commodity is veſted in a company who manufacture it, by excluſive privilege, the whole oppreſſion of collection is avoided; becauſe the company itſelf then pays the duty, and they draw their reimburſement from proportional profits on the ſale of the goods.

This is the greateſt advantage of the farm above the public management of a tax.

When exciſes are levied upon thoſe who manufacture the commodity exciſed, the oppreſſion of the

poſing the tax, they would be quiet: and if the profits were afterwards found to be too high, it would then be a popular meaſure to reduce the ſelling price, and alſo a means of ſetting people on the ſide of government, againſt the manufacturers, who are their real tax-gatherers.

Secondly, It is impoſſible to compaſs the end propoſed. A proportional tax, rightly impoſed, muſt be drawn back; and all attempts to prevent it, occaſion only a multiplication of frauds, and a bad manufacture.

In fixing aſſizes upon the manufacturing of goods, which in different years vary in their price, regard ſhould be had to ſuch variations; otherwiſe the manufacturer will be diſtreſſed, and the public will be ill ſerved: in either of which caſes, the people will be animated againſt ſuch duties.

The only expedient to ſhare the profits of the manufacturers of exciſeable commodities, is to lay them under ſome cumulative tax which they cannot draw back, ſuch as making them pay for a licence.

† It muſt, however, be obſerved, that the price of beer was not raiſed, either by the brewers, or by the victuallers, on account of the additional malt-duty, 1760.

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the laws falls upon the manufacturers, although they advance the tax only, and draw it back from the consumers upon the sale of the commodity.

Were people to reflect a little, they would soon discover how greatly it is for the advantage of every consumer in the kingdom, that no fraud in the collections should pass unobserved; because all the profits arising from frauds belong to the manufacturer, who in reality is the tax-gatherer, as much as the farmers in France are tax-gatherers, when they sell their salt and tobacco. But as the farmers appear in the light of King's officers when they prosecute offenders, and our collectors seem to bear hard on those with whom we live, people foolishly imagine, that were brewers, for example, more gently dealt with, beer would come the cheaper to themselves. This is a mere delusion; because no brewer whatever will sell his beer cheaper than either an assize, or the ordinary rate obliges him to do, let his profit, from frauds, be ever so great, and his address in committing them ever so successful; and the less productive the tax turns out to be in the end, the more the other impositions upon the people must be augmented, in order to make up the deficiency.

If we compare therefore the oppression of excise-laws felt by those who *advance* these impositions only, with the ease which the consumers find who really *pay* them, we may judge of the advantages which the proportional taxes have over the cumulative.

The excise, as paid by the brewer, is really of the cumulative kind. The exciseman demands

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money of him, at a time when no alienation takes place, and perhaps when he is not prepared to make the advance for his cuſtomers, who muſt refund it to him with profit: beſides the hopes of being able to defraud are diſappointed, and it is always diſagreeable to be diſappointed in what we either wiſh or hope for.

Were all mankind honeſt, the inconveniences of levying ſuch taxes would be leſs; but as this is not the caſe, methods muſt be fallen upon to diſappoint the intention of committing fraud. The only way to accompliſh this, is, to render it difficult and dangerous: but while every individual has a liberty to manufacture an exciſeable commodity in whatever place he thinks fit to enter, (that is to *declare* to be ſet apart) for that purpoſe; when every one has a liberty to ſell liquors, which, upon retail only, are ſubjected to exciſe (as is the caſe in France) muſt not collectors be multiplied in proportion to the occupation which ſuch policy implies? And will not theſe collectors oppoſe frauds to frauds, in order to profit by them, at the expence of the merchant or manufacturer? This will ſow diſcord and hatred between two claſſes of the ſame ſociety, and thereby the ſtate is hurt. All diſcord hurts a ſtate, as it does a private family.

It is out of my way to lay down plans for preventing ſuch inconveniences. It would require an intimate knowledge of every circumſtance relating to the country for which the remedy is intended.

I ſhall therefore endeavour only to throw out ſome uſeful hints, by mentioning the impoſitions where

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where the inconveniences in levying are the leaſt; and by comparing theſe with other impoſitions, where the oppreſſion in levying appears to be greater, the contraſt of circumſtances will ſuggeſt the principles upon which a plan may be formed.

There are many more frauds and difficulties in collecting exciſes in the country than in cities, from the number of manufacturers employed in them. It is juſt ſo with the *aides* in France, from the number of retailers. There are very few frauds and little difficulty in gathering the malt-tax; becauſe the object is unwieldy, and the places of manufacture are fewer.

The frauds upon tobacco and ſalt in France, do not proceed from thoſe who manufacture them, but from thoſe who introduce foreign goods to ſupply the place of thoſe manufactured by the company. This ſhews that exciſes ſhould be made as general as poſſible over a country; becauſe local exemptions introduce, as it were, a foreign country into the center of a ſtate.

Stamp-duties are ſeldom defrauded by forging the ſtamp; but in France, where they extend to almoſt every *deed* of alienation, the public is defrauded by private bargains.

Cuſtoms are defrauded by the liberty given to trade in every port; and from the want of convenient public magazines, to ſerve as a proper repoſitory for all goods brought by ſea.

It may further be ſaid, in general, that frauds are moſt frequent upon the new eſtabliſhment of taxes; that thoſe who complain moſt of the oppreſſion of them, are preciſely thoſe who have the leaſt

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reaſon for it; and that the cauſe of their complaint proceeds rather from the inconvenience in paying their taxes when they are not prepared, and the diſappointment in defrauding, than from any real oppreſſion ariſing from the laws of exciſe: the hardſhips of theſe laws are owing to the neceſſity of general rules for preventing frauds; and ſuch rules would be unneceſſary, could the liberty of committing frauds be circumſcribed.

One very good method of raiſing proportional taxes, without great expence or oppreſſion, when the ſituation of a country will admit of it, is to levy no ſuch duties, but at the gates of towns and villages, which in this light appear to be political incloſures. At theſe gates every produce of the lands, and every manufacture not made in the town, might pay a tax upon coming in; every manufacture made in the town, might pay a tax on going out: all fruits conſumed in the country might be free; all manufactures made and conſumed in the towns might be free alſo. If we conſider the quantity of exchange between the inhabitants of towns and thoſe of the country, and between town and town; this regulation, I believe, will be found ſufficient to raiſe more money by proportional taxes than what is raiſed in any country in Europe.

A ſecond method of diminiſhing the expence, and alſo the burden of proportional taxes, is to exact nothing of the manufacturers of exciſeable goods, but to prohibit the delivery of them to any one who does not preſent a permit from the exciſe office, ſignifying that the tax has been paid. This is the method obſerved in the Auſtrian low countries, where

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where exciſes are carried to a very great height. There the tranſporters or carriers of exciſeable goods, are formed into a corporation, and none elſe dare to tranſport them.

Whoever has ſeen the execution of theſe regulations will not be very fond of them; but the inconveniences which occur proceed from the political ſituation of all theſe towns, the public debts of which are ſo enormous, that to pay the intereſt of them exciſes have been carried ſo high as to baniſh manufacturers into the country, where few exciſes are levied. It is from the country and many conſiderable villages, which have not the privilege of running in debt, that the manufactures of that country are carried on. No induſtrious man can afford to live in the towns of the Auſtrian Netherlands, except he who ſupplies their conſumption; and in no place, I know of, is work ſo dear as there.

Were great exciſes levied there upon the furniſhers of the exciſeable goods, as is the caſe in Great Britain, and were as little reſtraint laid upon their frauds, thoſe duties would not produce what they do; and the oppreſſion would be intolerable; whereas by the policy eſtabliſhed, nothing but the high price of goods is complained of. A third method of avoiding both expence and oppreſſion in levying proportional taxes, would be to confine the fabrication of all articles charged with them to certain places properly incloſed. Were thoſe undertakings few and large, were ſpacious magazines of all ſorts prepared, at the public expence, in all ſea-port towns, and ſurrounded with walls, an entire liberty might be allowed within the incloſures, and no queſtions

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queſtions would be aſked, but on going in and coming out. Under ſuch regulations a ſtate would reap great benefit. Firſt, There would be conſiderable ſavings in collecting. Secondly, There would be great ſavings on the number of hands employed in manufacturing: forty men, in a large brew-houſe, make more beer than an hundred diſpoſed as they are in country villages. This reſembles the introduction of machines into manufactures.

The objection from the infringement of liberty is more a pretext, in order to facilitate fraud, than any thing elſe. Are not thoſe who manufacture exciſeable commodities, the ſervants of the ſtate? Are they not even the collectors of the public revenue? With what face then can they pretend to be indulged in the means of defrauding their cuſtomers of thoſe taxes which they wiſh to put into their own pockets, by withholding them from the public. Has liberty any other meaning, but an entire permiſſion to do whatever is not forbid by general and wholeſome laws, calculated for the univerſal good of the ſociety; and ſhall this claſs of men, who are enriching themſelves as much by the profits they have in advancing the taxes, as by their induſtry, be conſidered in as favourable a light as another who is paying a cumulative tax out of his income, one farthing of which he never can draw back?

If any one ſhould miſinterpret the doctrine of this chapter, I muſt put them in mind of my original plan, which was to keep conſtantly in view thoſe virtuous ſtateſmen who think of nothing but the good of their ſubjects. Taxes and impoſitions in

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in their hands, are the wealth of the father of the family; who therewith feeds, clothes, provides for, and defends every one within his houſe. The increaſe of taxes on this ſuppoſition is national œconomy, as ſhall be afterwards ſhewn; frauds are the thefts of ſervants impairing the public good, and particularly the means of ſelf-defence againſt the incroachments of ambitious neighbours.

As it is the duty of every ſtateſman to make his people happy and flouriſhing, perhaps the ſpeculations of one whoſe only intereſt in throwing them upon paper is to fill up his leiſure agreeably, may ſome time or other tend to promote ſo glorious a purpoſe.

CHAP. VI.

Cumulative and proportional Taxes compared with one another, and farther examined.

AFTER examining ſeparately the nature and effects of cumulative and proportional taxes, it remains, for the more full underſtanding of this ſubject, to compare them together; the better to find out wherein they really differ, and how far the difference is apparent only.

It has been obſerved, that as the payment of taxes is made in money, this payment can diminiſh no part of the produce of either land, or induſtry; the whole amount of theſe remains entire to the ſubjects of the ſtate.

Taxes then are paid either out of the money which circulates in the purchaſe of produce and manufac-

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tures; or out of the income ariſing from ſolid property: from which we have concluded that thoſe of the proportional kind muſt conſtantly be confined within a certain proportion to alienation. We have alſo obſerved, that the impoſition of taxes augments the maſs of circulation, and makes it requiſite for a ſtateſman to contrive ſome method for increaſing money in proportion to their increaſe. I hope theſe propoſitions have acquired an additional confirmation, from what has been already ſaid in the preceding chapters.

We have alſo ſeen how the amount of proportional taxes is ultimately taken from the ſuperfluity of the rich, whom we have called the idle conſumers: and how they are advanced by one ſet of the induſtrious, and refunded by another, until at laſt they fall upon thoſe who cannot draw them back from any body. Theſe laſt have been ſaid to *pay* the taxes, the others to *advance* them only.

Were we therefore to ſuppoſe all deſire of defrauding out of the way, we ſhould find the whole burden of proportional taxes confined to the inconvenience of advancing their amount by the induſtrious, and to the payment of them by the rich, which proportionally diminiſhes their income. Where credit therefore is well eſtabliſhed, where payments are regularly made by buyers to ſellers, and where people proportion their expence to their free income, the weight of proportional taxes will be very ſmall. I appeal to experience for the truth of this.

Let us next examine the nature of cumulative taxes, as we have called them, in order to diſtinguiſh them from the others.

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In theſe, alienation is not neceſſary at the time they are paid; from which it follows, that, in many caſes, they cannot be drawn back. When a man pays his land-tax out of his rent, what remains to him will not buy more of any thing than if he had paid nothing. Nay, were the ſtate to indulge him and take his tax in corn, the corn which remains to him would not bear an advanced price, unleſs the ſtate ſhould export the quantity he had given; and then indeed, by diminiſhing the ſupply, it might raiſe the price of grain in general; but every one having grain to ſell would profit of the riſe upon the price, as well as the landlord, whoſe ſhare does not commonly amount to one third of the crop.

But were a cumulative tax ſo levied as to prevent the proprietor from ſpending what the ſtate intends to make him pay out of his income, he who pays it would thereby acquire one great alleviation of his burden.

I have ſaid that when a brewer pays the exciſe, the tax, as to him, is of the cumulative nature. It is ſo in a certain degree, no doubt, as may be ſeen without farther explanation; but it ſtill ſo far retains its own nature as to be eaſily drawn back from the conſumer. But how can a ſoldier draw back the tax he pays to Chelſea?

From this material diſtinction between the two impoſitions, I conclude, that no objection can lie againſt proportional taxes, ſo far as they affect the induſtrious; becauſe they draw them completely back: and that great objections lie againſt cumulative taxes, when they affect the induſtrious, becauſe they cannot draw them back at all; and conſequently,

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BOOK V.

quently, they may affect the phyſical-neceſſary of the contributor, in caſe no profit ſhould remain to him upon his labour. On the other hand, I think little objection can be made to cumulative taxes, when they are impoſed upon poſſeſſions, which produce a viſible annual revenue, clear to the proprietor. This is the nature of the *dixiemes* and *vingtiemes* in France; where the whole amount of the perſon's income is taken upon proper proof, and taxed in proportion to it, without any ſubſidiary or ſecond levy's taking place, to make up a determinate ſum.

Cumulative taxes would alſo be far leſs burdenſome to the lower claſs, could they be levied, ſo as, firſt, to preſerve the proportion of them to the actual profits on induſtry: ſecondly, to make that proportion ſenſible to the people: and in the laſt place, to *retain* the tax, inſtead of allowing them firſt to receive it, and afterwards obliging them to refund it.

In proportion as theſe three requiſites do not take place, ſuch taxes become grievous to all who have no fixed income.

To put a tax upon a man's dwelling houſe, in proportion to its windows, or hearths, when the houſe produces no fixed income to him, and when he has none independent of it, may take away a part of his phyſical-neceſſary. To put a tax upon his head, is more grievous than to put a tax upon his hands, in proportion to what they daily gain.

If cumulative and proportional taxes be compared, with reſpect to the influence which they ſeverally have upon our opinions as to taxes in general, we find

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find that both of them deceive the contributors, but in different ways.

In the cumulative taxes, the perſon who pays does not always perceive the reaſon of his paying. He imagines that he is taxed merely becauſe it is known that he is able to pay a certain ſum.

In the proportional, the deceit is of another nature. When a perſon buys a conſumable commodity, which has paid an exciſe, he does not perceive that the price he pays for it comprehends a tax upon his paſt gains, in favour of the public; but he concludes the whole to be neceſſary, in order to procure what he has an inclination to conſume. An example will make this plan.

Suppoſe a tax laid upon wheel carriages, and that every perſon in the ſtate were liable to pay a certain ſum in proportion to the number of carriages he has for his convenience. The tax-gatherer comes at the end of the year and demands the ſum. The perſon complains that he is not at liberty to have a coach or a chaiſe without paying duty for it; and that while he has occaſion for one carriage only, and has but one pair of horſes, he is obliged to pay for ſeveral ſets of wheels.

Now ſuppoſe this cumulative tax were turned into a proportional one, and that wheels were to pay a ſtamp-duty, or the like, in the hands of the wheelwright. The price of them would immediately riſe; but this riſe would ſoon become familiar to the man who has the carriage; and he would then be no more hurt by this additional expence, than if it had proceeded from ſome new and expenſive faſhion of wheels: in ſhort, wheels would generally begin

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begin to bear an advanced price, and very ſoon nobody would enquire how it came about, nor once complain of the tax.

To ſet this in another light, the difference between the two impoſitions reſembles that between long and ſhort accounts, which to poor people is very great. When the expence of living is inſenſibly and univerſally augmented, by the effect of proportional taxes, then the induſtrious man, who enjoys neither ſuperfluity or idleneſs, may and can augment the price of his work in proportion. This augmentation forms then a part of what has been called his (A), which he draws fully back when he comes to market. But if the ſame, or even a leſs ſum be raiſed upon him by a cumulative tax, it comes upon him at the end of the year, or at the end of the quarter, and let him be ever ſo provident, he cannot draw it back, or raiſe the price of his work, becauſe of the unequal competition of other people of his own claſs, who, from a variety of circumſtances, cannot all be ſo equally loaded by the cumulative as by the proportional taxes. Beſides, they may not be ſo provident as himſelf, and may work for ſubſiſtence, without making any allowance for what they are to pay the ſtate at the end of the year. Thus a double inconvenience enſues. The induſtrious poor are oppreſſed by the tax-gatherers, and the tax is ill levied. In the other caſe, the firſt never ſee a tax-gatherer, and the money is paid. Beſides theſe advantages in favour of proportional taxes, there is ſtill another, that if this tax be improperly laid on, the defect will manifeſt itſelf by checking conſumption only; whereas in the

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the other caſe, it will be known by the diſtreſs alſo of the individuals.

If the liberty not to conſume be taken away, as in the gabelle in ſome provinces in France, then the impoſition changes its nature and becomes a cumulative tax, as may be eaſily perceived *.

It has been ſaid, that ſo far as the three inconveniences of the cumulative taxes can be prevented, they ceaſe to be oppreſſive. From which we ſee the reaſon why exciſes are ſo eaſily paid when thoſe who manufacture the commodities charged with them, are contented to compound for them. This changes the tax into one of the cumulative kind; but gives it every requiſite to make it eaſy. Let me take an example.

A brewer who pays exciſe for all he brews, is expoſed to the daily viſit of the exciſe-man, to whom he pays the duty. Here the brewer's impoſition participates of ſeveral of the inconveniences attending cumulative taxes. But let me ſuppoſe that after a certain time he finds that 100*l.* is the annual amount of his exciſe. If he make a compoſition for

* The *gabelle*, or ſalt-tax in France, is not levied in every province; becauſe of certain privileges of exemption, which ſome have all along enjoyed.

This opens a door to the greateſt abuſe, by ſmuggling ſalt from places where it is free, into places where the tax is impoſed, at many 100 *per cent.* above the value; and obliges the King to uſe great ſeverity upon thoſe who are loaded with this duty.

The conſumption of every family is fixed to a certain quantity; and if it be found that they have not bought, from the King's granaries, to the full extent of what is reckoned neceſſary for them, it is ſuppoſed that the deficiency has been made up from contraband ſalt, and the deficiency is exacted.

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it at this rate, he comes under a regular cumulative compoſition, with every advantage. He thinks no more of frauds; he no more grudges what he pays; and becomes in a manner collector of that imperceptible duty *advanced* by him, and *paid* by all his cuſtomers.

The eaſy method of transforming thoſe taxes into one another, ſhews their reſemblance ſufficiently, and the differences which we have pointed out, ſhew the principles which regulate the proper manner of impoſing them.

CHAP. VII.

Conſequence of Taxes when the Amount of them is properly applied.

WE have now ſeen the objects affected by taxes, and the inconveniences which reſult to thoſe who are obliged to pay them.

It comes next to be examined, whether taxes of all kinds be not a great load upon a people, a grievous infringement of their liberty, the means of bringing many honeſt and induſtrious people to great diſtreſs, and a great diſcouragement to marriage. I anſwer without heſitation, that taxes may be, and moſt commonly are accompanied with all theſe and many more inconveniences; but I muſt add, that they proceed from the abuſe, and not from the nature of taxes.

In my inquiries, I have conſtantly in my eye, how man *may* be governed, and never how *he is* governed.

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governed. How a righteous and intelligent ſtateſman may reſtrain the liberty of individuals, in order to promote the common good; never how an ignorant and unrighteous ſtateſman may deſtroy public liberty, for the ſake of individuals. CHAP. VII.

Raiſing money by taxes muſt always be burdenſome, leſs or more, to thoſe who pay it; and the advantages reſulting from taxes can proceed only from the right application of the money when it is raiſed.

When individuals only draw a profit from the inconvenience of taxes, the public loſes, no doubt; becauſe taxes are paid for the advantage of the public, not for that of private people. If the money raiſed be more beneficially employed by the ſtate, than it would have been by thoſe who have contributed it, then I ſay the public has gained, in conſequence of the burden laid upon individuals; conſequently, the ſtateſman has done his duty, both in impoſing the taxes, and in rightly expending them.

Taxes, in this laſt view, may be conſidered as a ſaving out of every private fortune, in order to procure a public fund to be expended for the public benefit.

I have frequently recourſe to the familiar examples of private œconomy, in order to make applications from it to the political; which, however different it may appear, will be found eaſily deducible from the ſame principles.

Let me ſuppoſe two perſons, (A) and (B), living in the ſame neighbourhood, of the ſame rank and fortune, enjoying great ſuperfluity, but ſpending

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yearly the whole of their income in different ways.

Let the income of both be ſuppoſed to be 2100*l.* ſterling; and let the branches of their expence be ranged under ſix different heads. Let (A) be ſuppoſed to ſpend upon the firſt 100*l.* on the ſecond 200*l.* on the third 300*l.* on the fourth 400*l.* on the fifth 500*l.* on the ſixth 600*l.* in all 2100*l.*

Let us ſuppoſe (A) to enjoy in every one an ample ſufficiency.

(B), on the other hand, ſpends upon his firſt article 1600*l.* and upon each of the other five, no more than 100*l.* Here the firſt article of (B's) expence is ſixteen times greater than any of the reſt; and by the ſuppoſition, 100*l.* is ſuppoſed to denote an ample ſufficiency upon each article.

I come to (A), and I ſay to him, you diſapprove of the extravagance of your neighbour (B) upon his firſt article of expence, where he ſpends ſixteen parts of his income, and where you ſpend but one; and yet you muſt allow that upon every other article of his expence, he is a better œconomiſt than you. Would it not be for your intereſt to bring the other articles of your expence down to his ſtandard, without increaſing any thing upon your firſt article, which is already within the compaſs of what may be called ſufficient.

To what purpoſe, ſays (A), would you adviſe me to ſo ſtrict an œconomy? And what ſhould I do with ſo great a ſaving on my annual income? Be in no pain about that. I ſhall lay it out for you in diſcharging your debts; in providing for your children, and giving them a good education; in

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in improving your eſtate; repairing your houſe; making up your incloſures; all ſhall be uſefully ſpent; and out of 600*l.* a year, you ſhall have every thing neceſſary for your family.

Here is the repreſentation of a ſcheme between a good ſtateſman, and a people whoſe intereſt he conſults.

After the impoſition of taxes, the individuals of a ſtate, who have already a determinate income, begin to pay greatly more than they uſed to do for every thing they conſume. A great part of this additional price goes to the public, and is thereby laid out for national purpoſes. The whole of ſuch expences is thrown into circulation, as much as if the rich proprietors had laid it out themſelves upon articles entirely adapted to their own taſte.

Is it not evident, that in this way of appropriating the income of a country, it muſt produce a more extenſive encouragement to induſtry of all kinds, than if the proprietors only had ſpent it? They never would have thought of becoming merchants, or of ſetting up manufactures for the ſupply of foreign markets: their whole expence would have been calculated to ſupply their own wants real or imaginary; and it would have been indifferent to them whether theſe were ſupplied by natives or by ſtrangers.

Let us apply this doctrine to common experience. Let us compare the nature of circulation in a trading town, with that of a country place, where many gentlemen of large fortunes reſide. How extenſive the objects of the firſt! how contracted thoſe of the latter!

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Let us compare again the exigencies of government, with thoſe of a trading city, what a variety of *new* wants here occur to be ſupplied, which the city never could have occaſion for?

I have ſhewn how the great amount of taxes comes to be taken from the income of thoſe individuals whoſe fortune is already made, or whoſe daily profits are conſiderable: I have ſuggeſted how circumſcribed the expence of this claſs muſt be, when conſidered with reſpect to the employment it procures to the body of a people. Does not the experience of former ages ſhow how apt private opulence is to ſink into treaſures, when a taſte for induſtry does not animate the lower claſſes to create new objects of deſire in the wealthy? Wherein is a ſtate benefited by the luxurious gratifications of the rich, unleſs it be by the employment they procure for thoſe who provide the objects of luxury? Thoſe very gratifications are, in one ſenſe, taxes upon the rich in favour of the induſtrious: they increaſe expence, and throw money into circulation. In Spain and Portugal, where induſtry is not introduced among the lower claſſes, the ſtrangers are they who in effect levy ſuch taxes upon them. Were the taxes they pay, properly applied for the encouragement of the arts, inſtead of being appropriated to private purpoſes, and to the enriching of private men, whoſe taſte for expence is always circumſcribed to the objects of their own wants, how ſoon ſhould we ſee them vying with us in every market of Europe, and ſupplying themſelves as far as their country is calculated for it.

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The reciprocal wants of induſtrious nations, reſemble the reciprocal wants of tradeſmen; all may be employed in ſupplying one another, as well as themſelves.

When a due proportion of the amount of taxes is properly laid out in premiums, for the encouragement of the induſtrious, the prices of labour upon articles of exportation, may be brought ſo low, that all nations who do not follow the like policy, muſt languiſh and decay. Luxury at home will then ceaſe to hurt the foreign trade of the nation. In her treaties of commerce, ſhe may throw open her ports to many articles of foreign conſumption, without incurring any inconvenience from ſuch allowances; while on the other hand, ſhe will reap the greateſt advantages from a reciprocal permiſſion.

The example by which I have illuſtrated the nature of public contributions, muſt not be underſtood to tally with reſpect to proportion. It would be both ridiculous and impoſſible to reduce all the expences of rich men to the barely ſufficient. All I meant was, to ſhew how taxes, when properly applied, *may* be conſidered as public œconomy; and how the levying of them has no direct tendency to hurt a nation in point of eaſe and proſperity.

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CHAP. VIII.

Of the Extent of Taxation.

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ONE good way to diſcover the nature of taxes, is, to examine how far it may be poſſible to carry them. This is my intention in this chapter.

I have ſaid that the object of taxes was income, and not ſtock. I have ſhewn how thoſe of the proportional kind affect the income of ſtock already made, and enhance the expence of perſons who enjoy large profits upon their daily induſtry. I have pointed out the impropriety of impoſing cumulative taxes, upon ſuch as draw nothing more from their induſtry than an eaſy ſubſiſtence; and I have given a general preference to thoſe of the proportional kind; becauſe they conſtantly imply both alienation and conſumption: alienation in thoſe who *advance* the taxes, *conſumption* in thoſe who pay them.

Could, therefore, taxes be levied upon every alienation, where conſumption is implied, and that in proportion to the whole ſuperfluity of thoſe who are to conſume, proportional taxes would be carried to their utmoſt extent.

I ſhall now analize this ſubject ſtill farther, in order to diſcover how far this extent may reach; and by this inquiry, the principles of taxation will be the better underſtood.

The object of alienation comprehends all that is in commerce among men, moveable, and immoveable.

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What is moveable is generally conſumable, what is immoveable, is generally not ſo.

As conſumption is a requiſite, together with alienation, in order to form a proper object for proportional taxes, we ſee how contrary to principles it would be, to tax the alienation of lands, houſes, &c. in the ſame proportion as conſumable commodities. Theſe are *funds*, not *income;* and the money with which they are purchaſed, muſt be conſidered in the light of a fund, while it is in the hands of the buyer. When once it comes into the hands of the ſeller of the immoveable ſubject, it frequently, indeed, partakes of the nature of income; that is to ſay, it is ſpent in the conſumption of fruits, and of the labour of man; and then it will be properly affected by proportional taxes.

This may ſuffice to recal to mind the principles we laid down in the 26th chapter of the ſecond book, concerning the effects of the vibration of the balance of wealth between the members of a modern ſtate.

The next thing we are to conſider is the ſtate of circulation. As to this, we have frequently obſerved, how it muſt be in proportion to alienation.

This proportion is not determined by the value, or denominations of the money circulating; but by this value combined with the frequency of tranſitions from hand to hand; as the force of a cannon ball is eſtimated by the weight of the ball, and the ſwiftneſs of the motion at the time it ſtrikes.

Let us now lay aſide the conſideration of immoveable property altogether; and examine the nature

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ture of consumption, alienation, and sale, with respect to other things.

Consumption comprehends every thing produced by the earth, or by man; alienation is confined to that part of consumption which is exchanged between men; and sale to that part of alienation which is exchanged for an equivalent in money.

Whatever part is consumed without alienation, ought, I think, to be out of the reach of proportional taxes, unless, by some circumstance or other, it can be made to fall under the eye of the public, in a manner *resembling* its coming to market. Thus a tax upon malt may with propriety be levied at the malt-house, as if it were sold to the maltster, although it be made for the consumption of the grower of the barley. In like manner a tax upon corn for bread may be levied either at the mill where it is ground, or at the oven where it is baked *.

The worst kind of proportional taxes are those which are levied upon *private* manufacturing, and upon unmanufactured consumption, where no alienation takes place. An example of the first we have in the excise upon malt, cyder, candles, &c.

* Examples of these kinds of taxes were familiar in former times. Vassals were obliged to grind in their lord's mill, bake in his oven, press their wine in the public press of the territory, &c.

This was found very useful, in ages when alienation and sale were little known; but now they are considered as oppressive, and so I think they are, when compared with proportional taxes, which take place upon the sale only of the commodity; but still they are far preferable to many taxes of the cumulative kind.

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made in private houſes for private uſe: the laſt is known in Holland, where a man cannot kill his own pig, or his own calf, without paying a tax. Were taxes of this nature extended to the making of bread, cooking of victuals, &c. I apprehend they would become of a nature more burdenſome than any hitherto invented, unleſs public cooks, &c. were eſtabliſhed, as public ovens are in many parts of France: in ſuch caſes, taxes might be levied upon every part of conſumption. CHAP. VIII.

Inveſtigations of this nature are ſo diſagreeable, that it is with reluctance I mention them; but when in fact, ſuch taxes are found eſtabliſhed in different countries, it is highly proper that the nature of them ſhould be inquired into.

Taxes in Holland are ſo multiplied, as to deſcend to this ſort, in many places, as we have ſeen by the example juſt given; but even theſe, however oppreſſive they may appear to thoſe who are not accuſtomed to them, are ſtill leſs ſo than many of the cumulative kind we have mentioned, particularly the tax upon induſtry and the capitation in France. They approach nearer to proportional taxes, and derive every alleviation of their burden from this circumſtance. He who pays ſuch taxes, ſees that he can avoid them, by retrenching his conſumption; and when they fall upon the neceſſaries of life, he may draw them back, provided he be an induſtrious man, and that every one who enters into competition with him for employment, be equally ſubjected to the ſame burden. But they are more burdenſome than thoſe where ſale takes place; becauſe, when a poor man, who wiſhes to con-

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conſume, has no money, he conſiders himſelf in the ſame light as if the thing were not to be ſold; but when he has what he has acquired by his own labour, and cannot conſume it for want of money to pay for a permiſſion, as it were, he muſt either ſtarve for hunger in the midſt of plenty, or be reduced, perhaps, to beggary, for having preſerved his life by defrauding the tax.

What has been ſaid, is, I think, ſufficient to ſhew the hardſhips which occur, when taxes are impoſed upon bare conſumption, where no alienation takes place: they muſt, in every reſpect, be ranged under thoſe of the proportional kind, although ſome principal requiſites be wanting to engage any one to approve of their inſtitution.

It appears ſtill more difficult to eſtabliſh a proportional tax upon barter, or the exchange of commodities one for another, unleſs ſale be underſtood. This would be the caſe were a private perſon, not ſubject to the exciſe upon beer made in his own houſe, to pay in that commodity. He would not there eſcape the imputation of fraud; and might, with propriety, be conſidered as a retailer. I do not, however, doubt but examples of taxes upon barter might be found; ſome even occur to myſelf; but they are too trifling to mention *.

The laſt and principal requiſite, to render proportional taxes eaſy and light, is ſale. There the burden muſt be proportional to the buyer's purſe; and

* Two gentlemen in France exchange caſks of their wine, they are both obliged to pay a tax upon removing the wine from their cellar. This duty is called *Remuage*.

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and if it prevent the conſumption of the thing taxed, the defect will manifeſt itſelf.

Of theſe taxes we may ſay, that they are in proportion to circulation; and accordingly, we ſee how difficult it was to raiſe them, as long as circulation remained confined to the ſmall quantity of coin in the country. As money increaſed, both by the increaſe of trade and alienations, they became more productive; and were the nature of them rightly underſtood, and were they properly impoſed, they would ſoon be more generally adopted.

In treating of public credit, I have ſaid that it is the duty of a ſtateſman to augment the quantity of money, in proportion as he intends to multiply taxes on his people. I ſhall now, before I conclude this chapter, explain the meaning of what was there thrown out relatively to another ſubject.

The money of a country, we have ſaid, bears no determinate proportion to circulation; it is the money circulating, multiplied by the number of tranſitions from hand to hand. Again, we have ſaid, that the prices of all things are determined by demand and competition. The meaning of this, as it concerns the preſent queſtion, is, that in proportion to the competition of thoſe who appear with money, in order to acquire what comes to market, a larger or a ſmaller ſum is brought into circulation.

Now, according to the principles laid down in the firſt chapter of this book, we ſaw how the full value of the induſtrious ſeller's expence and profit, were made up to him in the ſale of his work; and if he had advanced any tax upon any part of his

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his work or conſumption, that even this was refunded to him by the buyer, who, if he conſumed in the light of an idle man, paid for the whole.

Farther, when a proportional tax is impoſed, we ſaid it was, in a manner, as if the ſtate interpoſed at the time of alienation, and exacted of the purchaſer a certain value in money, in proportion to the commodity, as the price of the permiſſion to acquire what his own induſtry had not produced. From this I draw the following conſequence, that in proportion to the tax, an additional ſum of money is drawn into circulation, which would otherwiſe have remained in the pocket of the purchaſer; conſequently, on impoſing proportional taxes, they cannot, at firſt, exceed that proportion of money which is found in the pockets of the conſumers, over and above what they uſed to pay for what they conſumed.

The truth of this propoſition is eſtabliſhed upon many facts. Firſt, in countries where people keep their money locked up, proportional taxes are very well paid. Hence the great amount of the *alcavala* and *cientos* in Spain, which amount together to 14 *per cent.* upon every conſecutive alienation of the commodities which they affect, chiefly indeed for the conſumption of the rich.

Secondly, When exciſes were augmented in England, in the reign of king William, Davenant tells us, that the goods exciſed fell in their price.

Thirdly, When a war has laſted any time in France, taxes ceaſe to be ſo productive.

Are not all theſe, and many other appearances, reſolved upon the ſame principle, viz. that taxes muſt

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must come out of that money which exceeds what was neceſſary for carrying on alienation before they were impoſed? CHAP. VIII.

In Spain ſuch taxes draw money from the cheſts of the hoarders, and increaſe circulation for a while.

In England, during King William's wars, the quantity of money being very ſmall, and trade being very low, the tax upon malt could come out of no other fund than the price uſually given for barley.

In France people are better acquainted with taxes, and the great bulk of exciſes are adminiſtered by the farmers, who never lower their price; ſo that the diminution of the maſs of coin muſt diminiſh conſumption.

But when methods can be fallen upon to increaſe money according to the uſes found for it, taxes will continue to produce, conſumption will not diminiſh, and circulation will keep pace with them.

Could we ſuppoſe, that before the impoſition of taxes, every perſon in a ſtate had laid it down as a rule, to ſpend the whole of his income, but none of his treaſure, in the conſumption of what is brought to market, it is plain, that in a luxurious nation, taxes might be carried ſo high as to draw the laſt farthing of the treaſure into circulation, even though it were ſuppoſed to exceed the value which demand had fixed for all that was formerly brought to market. But without a luxurious turn this would not be the caſe. There are countries abounding with coin, which it is impoſſible to come at by proportional taxes. The reaſon is plain: the value which

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demand fixes upon the total of the articles of consumption exposed to sale in the country, bears but a trifling proportion to the coin which remains locked up. This was the case in ancient Greece. In this case, proportional taxes never can exhaust the treasure; because were they to be made high upon articles of the first necessity, all the poor would starve; if upon articles of superfluity, demand would stop.

Proportional taxes, therefore, can be raised in proportion only to the desire of spending money; and as this desire depends upon the spirit of the people, so must the extent of taxes.

Let me now trace a little the progress of money brought into circulation by proportional taxes in a luxurious nation. I shall call the value, fixed by demand, for all that comes to market (Y). The sum levied in consequence of the alienation of it, or in other words, the sum of the proportional taxes (X). And the whole money of the country (Z). This premised, it will follow, from what has been said, that as soon as all the money of the country is brought into circulation, then (Z) will be exactly equal to the sum of (Y) and (X).

Let us next suppose the whole alienation to be made at once. Will not (Z) then immediately appear divided into (Y) and (X)? What then will become of those two sums which we suppose to enter into circulation at the same time? I answer, that (Y) will go entirely free to the industrious seller: that it is, or should be, nearly equal to the former value of what came to market before taxes were imposed: and that (X) is an additional sum drawn from the idle consumers, who live upon an income already

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already made. But ſuppoſe (X) to be augmented, until it exceeds the quantity of money formerly ſuperfluous for carrying on alienation: then I ſay, that either taxes will become proportionally leſs productive, or conſumers muſt melt down the capital of their funds into paper money, to the amount of the deficiency of (X); and this will ſupply circulation with the additional ſum required in conſequence of the impoſition of taxes.

Now, I think, it is a lucky circumſtance, that the additional ſum of taxes ſhould be paid by thoſe very people who are the beſt able to borrow it upon their funds.

Let us proceed to examine the progreſs of (Y) and (X) as they continue in circulation. (Y) is no ſooner come into the hands of the induſtrious ſeller, but he has occaſion to go to market: that moment I conſider him as one of the rich; and the money which, at the time he ſold, had acquired the denomination of (Y), now reſumes that of (Z). When he comes to buy a commodity with what was formerly his (Y), there is immediately a part of it converted into a new (X), and the remainder keeps the denomination of (Y) in the hands of him from whom he buys. By this progreſs it is plain, that after a certain number of alienations, or tranſitions from hand to hand, the whole quantity (Y) will be converted into (X).

Experience ſhews this to be the fact; becauſe the amount of taxes, in a ſhort time, far exceeds the value of all the money of a country.

Let us next follow the progreſs of (X).

Upon the firſt alienation of any part of what comes to market for the conſumption of the pro-

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prietors of (Z), a proportional part of (Z) is transformed into (X), and is carried into the public coffers. Were it there to be locked up, and not thrown back into circulation, it is plain, that in a ſhort time the whole of (Z) would be converted into (X), and would be ſhut up in the exchequer.

When the amount of taxes, therefore, inſtead of being ſhut up in the exchequer is ſent out of the country, as in time of war, muſt not this produce a ſimilar effect? Has not the exportation of this amount the ſame effect as locking it up, ſince the one and the other equally take it out of circulation? Does it not then follow, that if more money be not obtained, either by borrowing it back from ſtrangers, or by melting down more ſolid property, that ſelling muſt ſtop, and (Y) diſappear as well as (X)? The rich, therefore, muſt give over buying, and the proprietors of all that comes to market muſt deal by barter with one another.

How naturally do all theſe conſequences follow one upon the other! and how exactly do they correſpond to the principles which run through that part of the laſt book where we treated of banks and public credit!

Taxes are not raiſed, in our days to remain in treaſures, but to anſwer the exigencies of the ſtate. The moment, therefore, that the money ariſing from them comes out of the public coffers, it loſes the character of (X) and reſumes that of (Z), in the ſame manner as (Y) was transformed into (Z), by being brought to market in order to buy a commodity. This new (Z), as we may call it, no ſooner returns into circulation, than it becomes again converted

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verted into (Y) and (X), with this difference, however, that what came from the exchequer, ſo far as it is converted into (X), returns directly into it again.

Hence it follows, that ſtates commonly pay their ſervants the full of their ſalaries, and make them refund a part in conſequence of cumulative taxes, inſtead of proportionally diminiſhing what is due to them. And when the ſalaries themſelves are intended to be laid under poundage, which in fact is an actual diminution of them, they chooſe that the tax ſhould appear to be a deduction out of what is ſuppoſed due; becauſe it ſeems leſs arbitrary to impoſe a tax, than to diminiſh a ſalary, without aſſigning any reaſon for it; but indeed, beſides this reaſon, it commonly happens, that the particular appropriations and adminiſtration of the revenue render this method eaſier.

With reſpect to proportional taxes they affect the expences of the ſtate in the ſame manner as thoſe of individuals; with this difference, as we have ſaid, that the part (X) returns into the exchequer; but the part (Y) is fairly ſpent by the ſtate, as by the idle conſumer.

From what has been ſaid, we may gather the principles which lead to the moſt extenſive eſtabliſhment of proportional taxes, viz. either to draw by particular regulations, the whole real and groſs produce of land and work to market; or at leaſt to bring it under the eye of the ſtate, in conſequence of ſome modification or manufacture performed upon it, as was obſerved with reſpect to malt-houſes, mills, and public ovens. When, by ſuch contri-

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vances, the whole groſs produce falls under taxation, the proportional taxes muſt be gently laid on, and gradually raiſed until they begin to interrupt conſumption; then they muſt be diminiſhed for a while, until diſſipation increaſe; a caſe which will probably happen, as it commonly keeps pace with induſtry.

If we ſuppoſe the rich to ſet out on a plan of living upon their capitals, inſtead of living upon their incomes, as we have hitherto ſuppoſed them to do, then indeed taxes may augment to a degree not to be eſtimated. This combination has already found a place in the 26th chapter of the ſecond book, where we examined it with regard to the progreſs of induſtry. In that place it was ſaid, that in proportion to credit and induſtry, it might be poſſible, in the compaſs of a year, to produce commodities to the value of the whole property of the moſt extended kingdom. Were this the caſe, to what a height might not taxes be carried?

(Y) then would repreſent the whole value of the country, and conſequently, (X) would ſwell in proportion, according to the competition among the inhabitants, to purchaſe every particular article. Subſiſtence and neceſſaries might be taxed low in proportion to the abilities of thoſe of the lower claſſes; articles of luxury might be taxed in a higher proportion, in order to draw the more into the exchequer.

Were taxes thus carried to their utmoſt extent, ſtill every perſon in the ſtate muſt be left at liberty to ſave, or to ſpend the whole, or any part of his ſtock, or income; which is not the caſe when cumu-

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cumulative taxes are impoſed. Proportional taxes, though carried to their utmoſt extent, will not deprive an induſtrious man of his phyſical-neceſſary, nor of the reward of his ingenuity, nor of that rank in wealth, to which his birth or expence entitles him *.

When taxes have the effect of interrupting this harmony of expence, of reſtraining the liberty of ſquandering, or of ſaving, or of oppreſſing one ſet of men more than another, in all ſuch caſes, they are improperly impoſed; and inſtead of being too high, as it is commonly ſuppoſed, I think it is a demonſtration that they are really lower than they need to be. The claſſes of men in a modern ſtate, reſemble the horſes in a team. When every horſe draws fairly and equally, the whole force is exerted; but if any one happen to be ſtrained by an overcharge thrown upon him, the force of the team is greatly diminiſhed.

When proportional taxes are carried to their full extent, I then preſume every one will be obliged to pay as much as poſſible; I do not mean that every one will be forced to pay to the extent of his abilities, but I ſay, that the generality will; and therefore, were cumulative, or perſonal taxes, to be ſuperadded on thoſe who already pay all they can, they would, by affecting them unequally, deprive many of their phyſical-neceſſary, or ſmall profits; and conſequently deſtroy the proper balance of their competition. The ſetting of the lower claſſes free

* A man's rank, in a modern ſociety, ſeems to be determined more according to his birth, or to his expence, than according to his ſtock, or income.

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from cumulative taxes, will have the effect only of putting the growing wealth of the penurious and ſaving part of the induſtrious inhabitants out of the reach of taxation. This ought in good policy to be done, as has been ſhewn in another place. But, farther, we have obſerved, that taxes can be increaſed in proportion only to the ſpirit of diſſipation in the people. To force money, therefore, out of the hands of thoſe who do not incline to ſpend it, is forcing the ſpirit of the people; and if it be not tyranny, it is at leaſt great ſeverity. Beſides, we ſhall preſently ſhew, how impoſſible it is theſe ſavings ſhould eſcape being taxed, whenever they begin to produce an income; and allowing that they may be greatly accumulated, and thrown into trade, yet ſtill they muſt in one way or other appear in alienation, and become ſubject to the proportional taxes. The only part, therefore, of the ſavings not affected by taxes, will be confined to that which is locked up. This in a prodigal nation ſhould never be touched. The inconveniences reſulting to the ſtate from ſo ſmall an inequality of taxation, is too trifling to be attended to, and too difficult to be prevented.

I come next to examine the extent of cumulative taxes.

If we ſuppoſe the proportional taxes to be carried to their full extent, there will be little place found for the cumulative, as has been ſaid. The only objects left for them are the ſavings locked up, and the pure profits upon trade.

But let us ſuppoſe proportional taxes out of the queſtion, as they muſt be when contrary to the ſpirit

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rit of a particular nation; and then inquire into the principles which regulate the impoſition of cumulative taxes, in order to diſcover to what extent they may be carried, and what conſequences may follow when they are brought to a height.

This branch has two objects; firſt, income, which is determinate; ſecondly, profits from induſtry, which are and muſt be very uncertain.

Income, I divide into two ſorts; that which proceeds from every branch of ſolid property, capable of producing it: Land, houſes, even cattle, furniture, &c. all may, in ſome reſpects, produce an income, more or leſs permanent according to circumſtances. This ſort of income is eſtabliſhed by leaſe. The ſecond ſort is the intereſt of money, conſtituted by the contract of loan.

In impoſing cumulative taxes upon income, it is very proper to attend to the nature of every ſpecies of it, with reſpect to its ſtability. Landed property is fixed, and cannot eſcape taxation, were the tax to be carried even to the extent of the full income, as has been obſerved. Were the ſame proportion to be laid on houſes, they would ſoon fall to ruin, becauſe the nominal proprietor would not keep them up. Like circumſtances muſt be attended to, in taxing every other article of revenue.

The method of aſcertaining the value of this kind of property, is to oblige all leaſes to be recorded, under a ſufficient penalty. This is the method in France, for the ſake of the *controle*, which is exacted upon recording them; and this, no doubt, facilitates the ariſing of the twentieth penny, which operates upon all ſuch income.

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The value once aſcertained, the whole income is at the mercy of the ſtate, in proportion to the impoſſibility of avoiding the tax, by any change on the nature of the fund. It is from this circumſtance that I have called all ſuch taxes arbitrary impoſitions. And I call them alſo cumulative; becauſe the reaſon given for impoſing them, is, that it is juſt every one ſhould pay a general tax, for the ſupport of the ſtate, in proportion to his abilities.

As theſe taxes cannot be carried beyond the value of the income which the proprietor cannot withdraw from under the burden, we ſee the impoſſibility of eſtabliſhing them upon that income which proceeds from money. If a tax of ſo much *per cent.* be impoſed upon money lent at intereſt, the lender may immediately call in his capital from his debtor, and ſend it away beyond the reach of the tax. If the calling it in be prohibited, then all credit will be deſtroyed for the future, and no more money will be lent. If the ſtateſman ſhould be diſpoſed to profit of the advantage found in ſecuring money upon land-property; and if, truſting to the deſire monied-people have of ſettling their capitals in that way, he ſhould take one or more *per cent.* upon capitals ſo ſecured; it will ſtill have the effect of hurting the credit of landed men, who have frequently no good ſecurity but their land to give.

It was formerly the practice to allow the landlords a retention of a part of the intereſt, in conſideration of the tax they paid upon that part of their land, which was pledged for the ſecurity of the money borrowed; but when credit is once eſtabliſhed, this regulation has no other effect, than to oblige landlords

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lords to borrow ſo much dearer than other people, who have no retention to claim. Where indeed credit is precarious, ſuch a regulation may be conſidered as a premium for good ſecurity.

In general, I believe, we may ſafely determine, that all attempts to lay a tax upon the income of ſo fluctuating a property as money, where the capital is demandable, will prove unſucceſsful.

The caſe is different, when the capital is not demandable, as has been obſerved in the end of the 8th chapter upon public credit; where we were ſuggeſting a reaſon for taxing the intereſt of national debts, when grown up to the full amount of all the income of a country. But a material diſtinction was there made, between thoſe debts which were ſuppoſed to be conſolidated into a permanent property, and the new contracts which were to be conſidered as debts conſtituted upon that property.

We ſee, therefore, the extent of cumulative taxes upon poſſeſſions which produce an income. Let us next examine how they may be made to affect other articles.

We have obſerved how improper, and how contrary to principles it is, to impoſe proportional taxes upon thoſe branches of ſale, which do not change the balance of wealth between the contracting parties. Yet cumulative taxes may then take place; becauſe there is no reaſon to make them general, or proportional.

When lands, for example, carry titles along with them, as is the caſe in many countries; and when, as with us in Scotland, they carry a right to vote for a member of parliament, a very heavy tax might

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be impoſed upon the alienation of them. The ſame may be ſaid of every other eſtate which requires a feudal inveſtiture to complete the right. Thus the *Lods et Vente* in France, which is a proportion of the price of ſuch lands due to the ſuperior or lord-paramount of the fee, amounting in many caſes to the ſixth part of the price, is a hint for a cumulative tax to be raiſed upon the alienation of this kind of property.

Were cumulative taxes properly laid upon perſonal ſervice, a regularity in levying them at ſhort intervals, and according to ſome determinate proportion, would do a great deal towards communicating to them all the advantages of thoſe of the proportional kind.

Thus a tax laid upon thoſe who work by the day, may be levied in ſuch a manner as to be tolerably eaſy. A penny a day (or more if neceſſary) paid by every induſtrious man, regularly, once a week, would ſoon enable him to raiſe his price in that proportion. But then deductions muſt be allowed for all accidental impediments; and were a plan to be concerted, many other conſiderations would enter into it, which it would be ſuperfluous here to mention, and which, perhaps, may occur in another place.

The two articles which, in analizing the extent of proportional taxes, we obſerved had eſcaped that impoſition, to wit, money locked up, and the pure profits on trade conſtantly accumulated into the ſtock, are equally ill adapted to bear a cumulative tax. I can ſee no way of taxing money locked up, any more than money lent, without opening a door to

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to the greateſt oppreſſion. And as to the pure profits on trade, although they appear to be income, I rather conſider them as ſtock, which, according to principles, ought not to be taxed. My reaſon for not conſidering them as income, is becauſe we have ſuppoſed them to be accumulated by the merchant into his trading ſtock. They reſemble the annual ſhoots of a tree, which augment the maſs of it, but are very different from the ſeed or fruit which is annually produced, and is annually ſeparated from it. If they be ſpent by the merchants, then they are undoubtedly income, and will be affected by proportional taxes; but as they may alſo not be ſpent, and become ſtock, the cumulative tax will affect them in both caſes.

CHAP. IX.

The Conſequences of an Abolition of Taxes.

HAVING endeavoured to deduce the principles of taxation, by examining the circumſtances which occur when we ſuppoſe it augmented to the higheſt degree, I muſt now look for new combinations, which will ſuggeſt themſelves upon examining the conſequences of a total, or a partial abolition of taxes.

As far as taxes are abſolutely neceſſary for the ſupport of government, nobody, I ſuppoſe, can wiſh to ſee them aboliſhed. The object, therefore, of a ſtateſman's attention in levying taxes for indiſpen-

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diſpenſable national purpoſes, ſhould turn upon the principles we have been examining. What now follows will relate to the conſequences of aboliſhing taxes which have been once eſtabliſhed; ſo far only as the abolition implies a revolution in the œconomy of a ſtate. This will lead us to examine both the conſequences of taxes, conſidered abſtractedly from the abſolute neceſſity of raiſing them in order to ſupply the exigences of the ſtate; and the conſequences of ſo great a change as the abolition of taxes would produce in the whole body of the ſociety, conſidered as a nation which requires a public ſtock, to which it may have recourſe upon every extraordinary occaſion.

When the intereſt of a whole people is examined with reſpect to taxes, ſuch a people may very properly be divided into the following claſſes.

Firſt, Thoſe who receive the amount of taxes, viz. the creditors and ſervants of the ſtate, and thoſe to whom the ſtate gives employment.

Secondly, Thoſe who advance the taxes, viz. all the different claſſes of the induſtrious manufacturers of exciſable goods.

Thirdly, Thoſe who pay the taxes, viz. all the rich and idle; or, in other words, all thoſe who cannot draw back what they have paid.

In theſe claſſes are comprehended thoſe who pay the taxes, and thoſe who receive the amount of them; conſequently, in whatever concerns taxes, the common intereſt of the whole taken together is what muſt regulate the conduct of the ſtateſman.

In order to determine this firſt and general queſtion, viz. the conſequence of aboliſhing taxes relatively

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tively to the cumulative intereſt of a whole ſtate, it is proper to inquire,

Firſt, What will be the conſequences of aboliſhing taxes, relatively to thoſe who now receive the amount of them, viz. the creditors and ſervants of the public, and thoſe to whom the ſtate gives employment?

Secondly, What will be the conſequences of aboliſhing taxes relatively to trade, induſtry and manufactures: that is, whether theſe great objects are carried on to moſt advantage, when every individual contributes largely in providing a fund to be adminiſtered by a ſtateſman; or when no body contributes any thing, but when every one retains the whole of his income, and the profits of his induſtry, and diſpoſes of them as he thinks proper?

Thirdly, What will be the conſequence of aboliſhing taxes, relatively to that part of the people who now complain that they are forced to contribute to every tax, although by their excluſion from the emoluments of lucrative employments, they bear a greater burden than others not better entitled to exemption, who thereby profit at their expence?

To determine ſo intricate a queſtion, ſeveral combinations or circumſtances muſt here be examined, and from the particulars reſulting in every caſe, we ſhall, towards the end of this chapter, endeavour to point out the general concluſion. I ſhall begin by examining the conſequences ariſing to the creditors, and to thoſe who ſerve the ſtate, from the ceſſation of taxes; that is to ſay, from the interruption of thoſe expences which are defrayed from the produce of taxes, either in paying the intereſt of debts

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debts, or in defraying the whole *actual* expence of government.

As to the creditors, this queſtion has been already diſcuſſed. We have ſeen that withholding the intereſt due to them would have the conſequence of bringing on ſuch a convulſion in the ſtate, by the breach of faith, and ruin of public credit, as would throw every thing into confuſion. But with reſpect to the ſervants of the ſtate, we muſt inquire, whether the raiſing of taxes for defraying this article of expence be more hurtful to the people in general, than the conſequences of ſuch a revolution in circulation and employment, which would follow were the taxes ſuppreſſed, and the ſervants employed by the ſtate diſmiſſed.

When the neceſſity of raiſing taxes is out of the queſtion, the hurt they do in general to a country is when, by the impoſition, the money is taken out of thoſe hands who would have employed it for the advancement of the proſperity of the ſtate, in order to throw it into thoſe who will employ it otherwiſe. From this let us now draw ſome concluſions.

Firſt, That if money be taken from thoſe who would have employed it in feeding themſelves, and in continuing their induſtry, the ceſſation of ſuch a tax is in a manner giving bread to thoſe who are ſtarving.

Secondly, Were money to be taken from thoſe who, having more than bare neceſſaries, would, by its uſe, increaſe the demand for domeſtic induſtry, and were that money beſtowed on a ſet of men who would employ it in the purchaſe of foreign commodities, the ceſſation of taxes, in ſuch a caſe, would,

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ſo far, take the bread out of the mouths of foreigners, and give it to our own countrymen.

The abolition of the firſt ſpecies of taxes is advantageous to a ſtate in every combination, let the money ariſing from it be ever ſo well employed.

As to the ſecond ſpecies, the abolition is not neceſſary; becauſe the vice lies in the miſapplication only of the amount.

Let us then ſuppoſe taxes to become unneceſſary, and all thoſe of the hurtful kind, which deprive the induſtrious of bread, and enrich foreigners at the expence of citizens, to be taken off.

Suppoſe that after all, there ſhould ſtill remain more taxes than are ſufficient for ſupplying all the neceſſary charges of government, when adminiſtered with prudence and with œconomy, and that this ſurplus ſhould be beſtowed in gratifying individuals, beyond the value of all the ſervices they do the ſtate: I aſk whether this ſuperfluous expence be immediately to be cut off, and taxes diminiſhed in proportion; or whether it would not be more proper to let the taxes ſubſiſt, and to think of a better method of applying the amount of them?

I anſwer, that according to the ſtate of the queſtion, the individuals of the people, who are all made to contribute towards the enriching of a few of their number, may juſtly complain of the inequality of their condition, and have a title to demand an abolition of their taxes, unleſs it can evidently be made appear, that by granting their requeſt, there would follow a prejudice to the ſtate, which would affect their own intereſts as individuals.

To diſcover how far this may be the caſe, let us form as many ſuppoſitions as we can, relatively to the

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the effects of diminiſhing taxes, and candidly examine the moſt natural conſequences of every one. If we find that the individuals of a people gain, in general, more than they loſe by paying taxes impoſed with moderation and propriety, and ſtill more if it ſhall appear that their eaſe and proſperity depend upon the levying and expending of ſuch taxes; I think we may conclude, that all diminutions of them, as far as they hurt the intereſt of the greater body, are in general hurtful to the ſociety.

Let me firſt ſuppoſe a general reform of all unneceſſary expence to take place at once, and a proportional abolition of taxes to go hand in hand with it. Would not all thoſe who at preſent ſubſiſt merely by the ſuperfluous expences of government, be reduced to miſery? Would not all thoſe who ſupply unneceſſary wants, equal to the whole amount of the taxes ſuppreſſed, be forced to be idle in proportion? The millions who contribute in paying theſe taxes would be differently affected. Thoſe who pay out of a fixed and certain income, would feel an immediate benefit from it; thoſe who contribute by proportional taxes would alſo be gainers, provided they be of the idle claſs; but all the induſtrious would loſe in proportion, if the prices of ſubſiſtence ſhould not fall in proportion to the diminution of their taxes. All the manufacturers of exciſeable goods, who had been uſed to *advance the taxes*, as we have obſerved, would gain conſiderably: becauſe the diminution of the taxes would be total as to them, though not to their cuſtomers; becauſe traders would never want pretences for keeping up the price of their commodities beyond the

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the proportion of what it ought to be, after the duties are taken off.

I conclude with the greater certainty as to this particular, from the analogy it bears to the conſequence of changing the denominations of the coins in France, which long experience ſhews never to have the immediate effect of regulating prices proportionally.

But as we are here conſidering the conſequences of a ſudden abolition of taxes, let us, for a moment, conſider, with an eye of humanity, the ſcenes which would unavoidably open to our view, both in the formerly opulent habitations of thoſe who were wont to wallow in public money, and in the comfortable dwellings of many others of every denomination, who, either as the reward of merit, or as the recompence of painful induſtry, had ſupplied the wants of uſeleſs armies, navies, arſenals, dock-yards, &c. formerly paid out of taxes, now aboliſhed, and who thereby had ſubſiſted and brought up their families.

Are not all theſe the children of the ſtate? Have they not had fathers and mothers who have been greatly relieved by procuring ſuch outlets for them? Have they not children who are educated and brought up with the amount of their ſalaries, and profits of their ſervice? Have they not had people of every claſs of induſtry, who have gained their bread by providing for their wants, while they were ſupplying thoſe of the ſtate, now become ſuperfluous? In one word, does not the money they receive circulate and return to the grand river, as I may call it, in the ſame manner as that of other members of the ſtate?

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For theſe reaſons, I ſay, that taxes once properly impoſed, and brought to circulate through a certain channel for a long time, cannot, *ſuddenly*, be ſuppreſſed, without occaſioning far greater miſery and diſtreſs than can ariſe from them, when they are levied with any degree of intelligence. This diſtreſs is nowiſe peculiar to the ſuppreſſion of taxes; it is equally the ſame, in every ſudden revolution of property. When the Templers were univerſally rooted out of Chriſtendom, who doubts of the afflictions, miſery, and diſtreſs, which followed to every claſs of inhabitants employed by them, in every kingdom in Europe? Could ſo large a conſumption as that of ſo great an order ceaſe at once, without drawing along with it numberleſs inconveniences? Did not the reformation itſelf, otherwiſe ſo great a bleſſing, ſtarve a multitude of poor who were fed by the monaſteries? Did not the ſecularization of ſo many eccleſiaſtical benefices do great prejudice to many families, by blotting out an infinity of reſources for procuring an eaſy livelihood for their children? Let thoſe who do not feel the truth of what I here advance, examine the ſtate of the proteſtant nobility in Germany, where you find the ſame hardſhips ſtill ſubſiſting, though in a degree much inferior to what it muſt have been at the time of this ſudden revolution, which took bread from thouſands of the younger ſons of noble families.

Such revolutions have happened; ſuch inconveniences have been felt: but they were not the deliberate act of any particular ſtateſman. They were the effect of thoſe convulſions which the human paſſions occaſion. Nobody can juſtly conſider them as

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as the neceſſary conſequences of a reformation in religion. But let any ſtateſman now, from a cool reflection upon the unneceſſary load of employments in church, ſtate, army, navy, finances, and law, and from a principle of diſtributive juſtice, aboliſh *at once* all that is ſuperfluous, and the taxes, at the ſame time, out of which the emoluments ariſe, he will very ſoon ſet before the eyes of his people, ſuch a ſcene of compaſſion, as will quickly blot out the remembrance of the favour.

We ſhould not then find ſome individuals only reduced to want, but numerous families; not a parcel of beggars ſtarved, but induſtrious manufacturers; not a ſet of eccleſiaſtics, who from their ſtate of celibacy and retreat, appeared already, in a manner, ſeparated from the commonwealth, but a multitude of people connected by marriage, by ſociety, and by all the tender bonds which unite mankind. Such a ſcene, I ſay, would not fail to excite compaſſion in the heart of thoſe very men in whoſe favour the defolation was to be brought on; and the ſtateſman would thereby loſe the whole merit of his ill judged zeal for diſtributive juſtice, and be conſidered in the moſt unfavourable light that paſſion or prejudice could ſuggeſt.

This is a digreſſion introduced with no intention to favour a miſapplication of public money, but to point out how far a reformation in this particular is a delicate operation.

A good phyſician never attacks a diſeaſe by violent remedies, when mild ones, with time, may be made to produce the ſame effect. Nothing can reſemble an ingrained diſeaſe in a human body, more than

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an ingrained vicious habit in a ſtate. The ſpirit of a nation is influenced, as has been ſaid, by the adminiſtration of its government. So large a ſum of miſapplied money creates a political diſeaſe, which muſt be purged away by degrees; and new doors muſt be opened to receive thoſe whoſe former method of ſubſiſtence is thereby intended to be cut off.

Let me next examine the conſequence of a gradual and inſenſible reduction of taxes, relatively to trade, induſtry, and manufactures.

It would be both tedious and ſuperfluous to trace the ſteps by which ſuch an operation ought to be conducted. Let me ſuppoſe it complete; but let it not be ſo very gradual as to blot out all remembrance of the age of taxes, and of their effects.

We have ſufficiently analized the whole progreſs of circulation; we have ſhewn how it muſt conſtantly be in proportion to alienation, and how, when deficient, induſtry muſt ſuffer a check. Even when peace is reſtored after an expenſive war, we have ſhewn how circulation diminiſhes, from the abatement of public expences, how money ſtagnates, and how it is conſolidated upon property of a more permanent nature.

Let us now apply theſe principles to the queſtion before us. Let taxes be aboliſhed ever ſo gradually, the circulation of the exchequer muſt diminiſh in proportion; conſequently the whole alienation, and the whole induſtry which is the object of alienation, muſt diminiſh alſo. The money iſſued from the exchequer at preſent, continues its progreſs from hand to hand, and all is found neceſſary for circulation,

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lation, in this age of taxation, as we have called it. What a deal of induſtry is implied in the circulation of a ſum equal to all the taxes! Let thoſe who chooſe to calculate, ſtate the following proportion, becauſe I will not here interrupt my ſubject.

As the whole money of the country is to all the alienations performed by it, ſo is the ſum of taxes to that part of alienation which will fall with them.

If a gradual diminution of taxes muſt have the effect of extinguiſhing ſo much induſtry, it will have the effect of ſtarving the induſtrious who lived by it. But before they ſtarve, the price of work muſt fall below the price of the narroweſt ſubſiſtence: becauſe the never failing foreign demand for ſubſiſtence, will keep it above the rate of their ſlender abilities, as long as any trade remains.

To imagine a foreign outlet for cheap manufactures, while the ſubſiſtence of workmen is at par with other nations, is againſt all principles; as it is againſt experience, to ſee a country without revenue, and without taxes, carrying on with ſucceſs the operations of induſtry and foreign trade.

Compare, therefore, the ſituation of ſuch manufacturers with thoſe in the age of taxes. Compare thoſe who would augment a ſupply far beyond all the demand for it, with thoſe who are paying large taxes, and as regularly drawing them back, either upon the ſale of their work, or in conſequence of wages which enable them to be idle two or three days in a week.

In ſuch a ſituation, how ardently would the former wiſh to ſee the idle conſumers furniſhing again a copious ſupply of money to government, for re-

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moving ſuch inconveniences. They would then quickly perceive that they had not been of that claſs which had felt the load of taxes; they would recal to mind the joyful hours they had ſpent in public houſes; the fortunes which every induſtrious man might hope to accumulate, while every branch of induſtry was kept alive, by the means of a copious circulation.

If, therefore, the induſtrious claſſes of a people cannot be benefited by an abolition of taxes; let us next inquire, to whom the advantage would accrue.

It has been ſaid that the idle conſumers pay all taxes of the proportional kind; the proprietors of lands, houſes, &c. bear every where a very large ſhare of taxes both proportional and cumulative. This claſs of men, therefore, are thoſe who bid the faireſt to reap a benefit from an abolition of them. But the proprietors of lands are by no means included in the claſs of idle conſumers, in every reſpect; although they may be conſidered in this light, with reſpect to ſuch taxes upon their conſumption as they do not draw back from their direct induſtry, in producing ſome manufacture which they may ſell again, with a profit proportional to the tax they paid. They are maſters of a property, which, in a country of induſtry, is daily augmenting in its value. Their fortunes, often ſwell faſter than thoſe of any one claſs of the induſtrious; but they augment by annual income; the fortunes of all the reſt increaſe by the capital. Every penny raiſed in a landlord's rent, is equivalent to half a crown gained by a merchant.

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If it be true that taxes, rightly impoſed, do no prejudice to any of the manufacturing, or any-wiſe induſtrious claſſes of a people; and if it be true, that an abolition of thoſe taxes, by contracting circulation, would diſcourage induſtry; then we may determine that the landlords would loſe much more in finding the improvement of their lands interrupted, than all they can gain by adding their taxes to their preſent fortunes.

Combinations of this ſort are ſo involved, that I cannot pretend to unfold them ſtep by ſtep, as might be done in caſes of a more ſimple nature. The concluſions therefore drawn from reſearches of this kind, do not command that aſſent, which we find in a manner extorted from us upon other occaſions. In this chapter, I have not undertaken to demonſtrate that the judicious impoſition of taxes is advantageous to a country in every reſpect. My view is to point out the advantages they actually have. The common opinion is that they are hurtful. Our feelings, however, have raiſed doubts with many great men concerning the truth of this propoſition. If my inveſtigations, however imperfect, and however liable to objections, ſhould facilitate to others the clearing up of a point, which is beyond the reach of my capacity fully to explain, this conſideration will be a ſufficient encouragement for me to proceed.

Let me, therefore, lay aſide the thoughts of analizing the effects of taxes, with ſuch accuracy as to form a demonſtration of their being more beneficial than hurtful to an induſtrious nation, and that throwing them back into circulation does more good, than

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raiſing them does harm. But let me ſhew, in general, that the intereſt of landed men, who, I think have, beyond all doubt, been proved to be thoſe who, in the firſt place, pay a conſiderable part of proportional taxes, does by no means require an abolition of them.

The proprietors of lands, whom we have hitherto conſidered as being of the claſs of the idle conſumers, advance their rents by the increaſe of demand for ſubſiſtence, in conſequence of induſtry. This, if it do not raiſe the price of ſubſiſtence, will keep it, at leaſt, at an equal ſtandard; and this ſtandard muſt bear a proportion to what it is worth in other nations, as long as trade ſubſiſts. But let trade decay, let domeſtic induſtry fail, it will not be the foreign price of ſubſiſtence which will then ſupport the rate of our manufactures. What a multitude of circumſtances contribute to the exportation of our ſuperfluity! I can ſend from Charing-croſs, any parcel whatever, to the diſtance of fifty miles, cheaper than from my own country habitation, where I can have a man, with a horſe and a cart, for two ſhillings a day. From Charing-croſs, I can ſend at a ſhort warning, many thouſand weight: here I could not do ſo much in many weeks. Near London, an extended common may be incloſed and improved in a ſeaſon: here, the improvement of a ſmall field is the buſineſs of a man's life. Let me even conſider how matters are changed within theſe fifty years. Undertakings which now are executed with little difficulty, were then abſolutely impracticable. An army was neceſſary thirty years ago to make a road of a hundred

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dred miles, and the inhabitants were aſtoniſhed at the execution of it *.

Were it neceſſary at this time, to do as much every year, if money be but provided, hands will not be wanting, either to conduct or execute the plan.

The number of people, *well employed*, makes the proſperity of a ſtate; and the profits of the opulent claſſes, by the augmentation of induſtry, more than compenſate all the burden of their taxes. They grow in relative wealth; and the acquiſitions they make are commonly exempted from the cumulative taxes raiſed upon their poſſeſſions. In proportion to their induſtry in improving their lands, their fortunes augment. The preſent ſyſtem of taxes does not interrupt their operations. Were any great change in this particular to take place, which might ſink the market prices of ſubſiſtence, even allowing that it would prove an advantage to foreign trade, they, I am ſure, would be the firſt who would feel the inconvenience.

It may be wondered, why I have not ſuggeſted, as a conſequence of taxes, the increaſe upon the price of the earth's productions, which is a direct indemnification to all the landed intereſt, more than equivalent to the taxes they pay. But taxes upon land, do not augment the price of grain, as they raiſe the price of exciſable goods. The reaſon is plain. The tax upon land affects the proprietor's ſhare only of the produce of his lands: were he to attempt to raiſe the price of his grain, in proportion

* Wade's roads through the highlands of Scotland.

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to the tax he pays, his farmer, who pays no land-tax for his portion, would underſell him in the market. A tax never can raiſe a price, except when it is laid on ſo univerſally, as to make it impoſſible for any perſon to avoid it, who ſells in competition with another who pays the duty. It is from this principle that ſmuggling ruins the fair trader: the ſmuggled goods are ſold cheaper than thoſe which pay duty, and the fair trader is thereby forced to ſell below what he can afford.

On the whole, I believe that when this queſtion is thoroughly underſtood, it will be found, that taxes affect prices far leſs than any one could imagine; except in the caſe of exciſes, rightly impoſed, and levied without fraud. There indeed they have their effect; but in every other mode of impoſing them, I am apt to believe that they do not produce the conſequences commonly aſcribed to them. I have already ſuggeſted the reaſon in a former chapter upon this ſubject; where the influence of competition in the markets where commodities are ſold, has been proved to work more irreſiſtible effects in regulating the price of work in general, than any thing that taxes, not immediately impoſed upon the very article of conſumption, can produce. But if in ſpite of all that has been ſaid, it ſhould be urged that the prices of labour and manufactures riſe in proportion to taxes, I anſwer, that the difficulties reſulting from this hypotheſis, would be many more than could be objected to the other theory. Could, for example, any man aſſign a reaſon, why a pound of the beſt ſnuff in England ſhould be ſold dearer than in France, where it pays a duty

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a duty of above two ſhillings ſterling; why many articles of manufacture can be afforded cheaper in England than in Scotland, where taxes are certainly lower, and although a day-labourer in the firſt be paid a ſhilling, and in the laſt little more than eight pence; why ſubſiſtence ſhould be abſolutely dearer in Scotland than in England, taken upon an average; why univerſal experience ſhould prove, that when the price of ſubſiſtence is raiſed by ſcarcity, work, inſtead of riſing, is conſtantly lower than at other times?

From all theſe appearances, added to the arguments I have uſed to prove that taxes are not prejudicial to induſtry, I conclude, that the theory I have attempted to give is right in the main; and that when taxes are judiciouſly impoſed, and actually levied without oppreſſion, they enrich a nation.

Firſt, By putting into the hands of a good ſtateſman, the means of removing every abuſe; of rendering the ſtate reſpected by its enemies; of ſupporting every claſs of induſtrious inhabitants, when their particular branch falls under diſtreſs; of providing an outlet for many young people, who in time become ornaments to their country, and inſtruments of her defence; of ſupporting foreign trade by bounties on exportation; of encouraging the improvement of lands, the eſtabliſhment of colonies, the extenſion of fiſheries, and every other ſcheme for augmenting the production of ſubſiſtence and manufactures.

Secondly, that the multiplication of taxes, excluſive of the encouragements juſt mentioned, which are

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are beſtowed gratuitouſly on trade and manufactures, do, of themſelves, and independently of the proper application of their amount, augment, demonſtratively, the maſs of circulation, alienation and induſtry; and in this reſpect may be conſidered as a voluntary contribution, in the firſt place at leaſt, from the rich who pay them, to the induſtrious who directly draw them back.

Thirdly, As to that part of the people, who pay their taxes without ſharing the advantages enjoyed by thoſe who ſerve the ſtate in lucrative employments, I ſay the induſtrious part of them pay nothing: and the demand for what they produce, is greatly increaſed by the expence of thoſe very men who are the objects of their envy: and farther, that if an alteration were to be made on the revenue, by any abolition of taxes, thoſe who imagine themſelves hurt at preſent, might find, by ſad experience, a much greater, and much more real hurt, from what would diſturb the harmony of the preſent ſyſtem.

To conclude, we have a tolerable notion of the low ſtate of induſtry in former times, when taxes were little known: we may ſee the progreſs of induſtry in countries where, at preſent, impoſitions are comparatively lower than elſewhere; and we may compare the ſtate of thoſe countries with our own, as to eaſe and happineſs. From ſuch inquiries, nothing, I apprehend, can be concluded in favour of the progreſs of induſtry, from an abolition of taxes.

That ſuch an abolition may produce ſome good effect, as yet unknown, I ſhall not pretend to deny: we

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we have not lived long enough to ſee any experiment of this kind put in practice.

From the expoſition I have given of this matter, there ariſes a great difficulty to be ſolved.

Taxes are paid, no doubt, and no body, according to this theory, ſeems to pay them. The induſtrious draw them back; the proprietors of land and ſolid property are ſaid to be indemnified; prices, it would appear, are not to fall by a diminution of taxes, in favour even of the moſt idle conſumer; they are not made to riſe in conſequence of an augmentation on them: Whence then do taxes proceed? From what fund do they ariſe? What intereſt do they affect? I can ſolve all theſe difficulties, by an anſwer to another queſtion. From whence ariſes the value of a ſmall parcel of flax, when wrought into fine lace? It ariſes from the price paid for time well employed; which produces nothing when ſpent in idleneſs. This is the fund out of which the greateſt part of taxes is paid; it is a fund created by the induſtrious Britons, which I hope will increaſe for many centuries, though taxes ſhould increaſe in proportion. It is worth more than ten times all the taxes which could be raiſed, and all the landed property without it. Were this time ſpent in idleneſs, the whole produce of our taxes would not ſupply the expences of government for a month.

CHAP.

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CHAP. X.

Are Taxes a Spur to Induſtry, as ſome pretend?

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IT is not eaſy to find out, *à priori*, how taxes ſhould prove a ſpur to induſtry. What makes ſeveral people adopt this opinion is rather from their feelings, in conſequence of many circumſtances ariſing from experience, than from what reaſon, or the nature of the thing, has pointed out. But as nothing can be produced without an adequate and natural cauſe, let us examine this political problem, by an application of the principles we have laid down in the former chapters. If theſe be juſt, we ſhall diſcover by them, how it happens that in countries where taxes are high, where living is dear, and where every circumſtance ſeems to render the means of ſubſiſtence difficult to obtain, people live in the greateſt plenty, are beſt and moſt eaſily ſubſiſted, and that induſtry there makes the greateſt progreſs.

For the ſolution of this queſtion, let us call to mind the principles which influence the multiplication of mankind, and the increaſe of labour and induſtry, laid down in the firſt book. We there explained how the wants of mankind promote their multiplication.

Money, the inſtrument of alienation, was repreſented as the primum mobile in this operation; a deſire in the rich of acquiring every thing with money, that is *demand*, was ſhewn to be the ſpur to induſtry in the poor. It was ſaid, that if riches

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did not inſpire a taſte for luxury, that is for the conſumption of the labour of man, theſe riches would not circulate; and that they would then be adored rather as a god, than made ſubſervient to the uſes of men.

Connect herewith that the impoſition of taxes is a method of bringing money into circulation; that thoſe of the proportional kind have the effect of drawing from the rich an additional price upon every thing they buy, which goes for the uſe of the ſtate, and which otherwiſe would not have entered into circulation at that time.

From theſe principles, I conclude, that taxes promote induſtry; not in conſequence of their being raiſed upon individuals, but in conſequence of their being expended by the ſtate; that is, by increaſing demand and circulation.

From the principles above laid down, I cannot diſcover the ſhadow of a reaſon, to conclude that taking arbitrarily away from ſome individuals, a part of their gains by cumulative taxes, or proportionally from others, by augmenting the price of what they buy and conſume, muſt in any reſpect imply an incitement in the conſumers to demand more; and without this it never can excite the induſtrious man to augment the ſupply.

I readily allow that every one who has been obliged to pay a tax, may have a deſire to indemnify himſelf of the expence he has been put to, by augmenting his induſtry; but if, on the other hand, taxes have put every one to a conſiderable additional expence, in proportion to his income, it would be abſurd to allege this diminution of his fortune, as the

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the cauſe of a deſire to augment his conſumption; and unleſs the rich do augment their conſumption, the poor cannot augment their induſtry.

Examine, on the other hand, the uſe made by the ſtate of the money raiſed, and you will eaſily perceive the juſtneſs, I think, of the above mentioned principles. This money belongs to the public, and is adminiſtered by private people. Public expence is defrayed with a full hand; they who beſtow the money, beſtow it for the public, not for themſelves; and they who work for the public, find, or ought to find, the greateſt encouragement to be diligent.

Every application of public money implies a want in the ſtate; and every want ſupplied, implies an encouragement given to induſtry. In proportion, therefore, as taxes draw money into circulation, which otherwiſe would not have entered into it at that time, they encourage induſtry; not by taking the money from individuals, but by throwing it into the hands of the ſtate, which ſpends it; and which thereby throws it directly into the hands of the induſtrious, or of the luxurious who employ them.

It is no objection to this repreſentation of the matter, that the perſons from whom the money is taken, would have ſpent it as well as the ſtate. The anſwer is, that it might be ſo, or not: whereas when the ſtate gets it, it will be ſpent undoubtedly. Beſides, had it been ſpent by individuals, it would have been laid out for the ſupply of private wants, which are not near ſo extenſive as thoſe of the public: and farther, when money is ſo taken from rich individuals, it obliges them to find out a way of procuring more, out of their ſolid property; and when

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when this facility is not procured for them by their ſtateſman, we ſee how taxes become both oppreſſive and ill paid. On the contrary, when it is provided, either by the returns of foreign trade, which greatly augment the coin of a country; or by banks, which melt down property into paper circulation; we ſee taxes augmenting conſtantly, without creating any impediment to conſumption, or diſcouragement to induſtry. All theſe conſequences hang in a chain, and hence may be gathered the ſolidity of the principles upon which they depend.

After this ſolution of the queſtion propoſed, let thoſe who are verſed in hiſtory lay circumſtances together and examine whether facts do not prove the truth of what I have been ſaying.

During the time of the Roman empire, when the riches of Aſia flowed into the coffers of Rome, and were conſtantly exhauſted by the prodigality of the emperors, we perceive, from many circumſtances, to what a degree the conſumption of ſuperfluities augmented. The price of certain commodities roſe to an exceſſive height; induſtrious people, of the loweſt extraction, were daily ſeen to amaſs prodigious fortunes: theſe are proofs of circulation. But when we conſider the expences of a Lucullus, or of a Craſſus, who conſumed, it is ſaid, the work of ten thouſand ſlaves, and compare the conſequence of this conſumption with the expence of a modern, who ſhould conſume the induſtry of ten thouſand freemen, we ſhall find a wonderful difference in the effects of the one and of the other, with reſpect to circulation, and the encouragement given to induſtry.

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No alienation could take place between Craſſus and his ten thouſand ſlaves, notwithſtanding all the work conſumed; conſequently, the only circulation implied by this conſumption muſt have been in proportion to the neceſſaries which the maſter was obliged to purchaſe for ſo great a multitude: and if we ſtill ſuppoſe all thoſe neceſſaries to have been produced by their own labour, then the ſtate of Rome could not, but by an arbitrary impoſition laid upon Lucullus and Craſſus, draw one farthing out of their coffers; conſequently, induſtry could not increaſe in proportion to the loads of wealth brought from Aſia by theſe generals. Whereas were Lucullus now at London, or at Paris, he would not be able to ſpend a ſhilling, without giving a penny, and perhaps more, out of his treaſure to the ſtate, which would immediately throw it back into circulation.

As we are now on the ſubject of circulation among the ancients, let me briefly trace the progreſs of it in Europe, through different modifications, to our own times, and ſo cloſe this chapter.

When the ſeat of empire was tranſlated to Conſtantinople, and all the Aſiatic provinces attached to the Emperors of the Eaſt, a ſtop was put to the augmentation of coin and bullion in the empire of the Weſt. A conſiderable part of what had formerly been there returned to Conſtantinople, and the remainder fell a prey to the barbarous nations which overran it. This may be called the firſt period.

Theſe barbarians, by enſlaving all the ancient inhabitants, and by forcing them to perform every kind of ſervice, muſt have had little uſe for coin.

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What they coined appears to have been broad and thin.

Let any one reflect upon the inſenſible waſte of ſilver plate, and the ſtill greater loſs on coin which circulates; the vaſt ſums carried off in the time of the Croiſades; the quantities buried or thrown into rivers in times of devaſtation; and add to theſe circumſtances, that from the fifth century after Chriſt, till the diſcovery of the Indies, there was, probably, little or no ſilver or gold brought into Europe; and it will appear very natural, that coin ſhould have been at that time much more ſcarce than formerly.

How contracted circulation was during the 13th and 14th centuries, may be gathered from the anecdote concerning alienation in France, mentioned in the third chapter upon public credit.

But farther, the great ſubordination eſtabliſhed by the feudal form of government, and the military ſervices to which ſuch numbers were bound, had the effect of preſerving the ancient ſimplicity of manners, ſo unfavourable to induſtry. The conſequence was, that Princes could raiſe no taxes; and that moſt of the money the people had was locked up in their cheſts. We know there were in thoſe days abundance of wealthy people; but their wealth inſpired them with no diſpoſition to conſume at the expence of ready money.

The diſcovery of the Indies opened a third period, and threw great riches into the hands of the Spaniards: the houſe of Auſtria was the firſt enriched, and appeared with great ſplendor for ſome time. Charles V. by his extenſive dominions, had

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BOOK V.

an opportunity of diſtributing this new gotten treaſure among his ſubjects in Flanders, his native country: this ſet induſtry to work in that quarter. The Portugueze diſcovered the Eaſt Indies: a new enticement to luxury; a new motive to become expenſive. The Hollanders became a trading people, and with the money which their induſtry had drawn from the magnificent Spaniard, they ſhook off his yoke. Money inſenſibly began to circulate. Princes immediately found, as has been ſaid in the ſecond book, that it was neceſſary for them alſo to augment their revenue, in order to maintain a proper ſuperiority over their ſubjects in point of riches. The increaſe of circulation among individuals made it more eaſy to raiſe taxes; and the throwing the amount of them back again, in gratifications to the chief people of the ſtate, engaged thoſe who came by money in a manner gratuitouſly, to expend it as freely as they received it. No wonder, then, if Princes found it an eaſy matter to load their ſubjects. They were ſupported in this ſcheme by the great men of the ſtate, who found a benefit from it. This revolution has totally changed the face of affairs in the preſent period of circulation. Courts are ſplendid; armies are numerous; buildings, in cities and in the country, are magnificent; an old city, compared with a new one, appears hideous; all public works are carried on with that ſolidity which we admire in thoſe of ancient Princes and ſtates, when nations led into captivity were employed to perform them. In thoſe days the magnificence of Princes was in proportion to the groans of their ſubjects; now

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now they are in proportion to their wealth and eaſe. Whence proceeds the difference, the effects are the ſame? From good government, and a well regulated political œconomy. CHAP. XI.

CHAP. XI.

Conſiderations upon Land-Taxes, with ſome Obſervations upon thoſe of England and France.

OF all the kinds of cumulative taxes, that which is properly impoſed upon lands ſeems to be the beſt: that is, to imply the feweſt inconveniences to the perſons paying, and to the ſtate in raiſing it. That it is an unequal impoſition is plain and certain: this character is unavoidably attached to every ſpecies of cumulative taxes, in one way or other. It has alſo the effect of caſting a general diſcredit upon the purchaſe and improvement of land; becauſe the proprietors are naturally expoſed to augmentations, which may, almoſt with the ſame eaſe, be carried to the total amount of the income, as to any proportional part of it. This has been mentioned in a former chapter, where the intereſt of a nation's debts was ſuppoſed to increaſe ſo as to equal the value of all the land-rents, and the whole revenue of individuals.

Land-taxes are impoſed in various forms in different countries, and all are ſuppoſed to bear a determinate proportion to the rent. This, however, is never, nor indeed can it ever be the caſe. The

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value of land is varying perpetually, from the induſtry of the inhabitants. Beſides this inequality, there are other inconveniences proceeding from the unequal diſtribution of property. In Scotland, for inſtance, land is divided into large portions; very few ſmall lots are to be found. The claſs of farmers, for the moſt part, labour the lands of others, who have large poſſeſſions. This is leſs the caſe, I believe, in England, and ſtill leſs in France and in Germany. A land-tax, therefore, being ſuppoſed univerſal, would, in Scotland, do little harm: in England, it would fall heavier upon the ſmall proprietors; becauſe the ſum exacted would bear a greater proportion to the ſuppoſed ſuperfluity of the proprietor. In France, it would ſtill be worſe; for there the exemptions of the numerous claſs of nobles, and many other circumſtances mentioned above, would entirely deſtroy even the ſhadow of proportion. It is out of my way to enter into any long detail upon this head, with reſpect to different countries.

I ſhall therefore confine myſelf to a very few obſervations upon the method of laying this tax in England; and upon a project which has been long in agitation in France, to raiſe their land-tax by way of tithe upon the fruits.

This ſcheme was firſt propoſed to the late King of France by the *Marechal de Vauban*, in 1699, and the propoſal was renewed ſome years ago in a performance called the *Reformateur*. But as it would prove hurtful and burdenſome to France, in a great degree, from a circumſtance which has not been attended to by theſe authors, the examination of this

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this ſyſtem of taxation will ſerve as a good illuſtration of this part of our ſubject.

The land-tax in England has, I think, two remarkable defects. Firſt, The ſums impoſed at certain rates *, upon every diſtrict of the kingdom, whether cities, towns, univerſities, or open country, even upon the King's palaces, inns of court, &c. are not diſtributed according to any rule of proportion upon the property of individuals; but this operation is left to aſſeſſors.

Secondly, All perſonal eſtates, except property in the public funds, and ſtock upon land, ſuppoſed neceſſary for agriculture, are charged in the ſame proportion as land-rents.

I ſhall now point out the inconveniences and bad conſequences of theſe two capital defects.

When a tax is impoſed at ſo many ſhillings in the pound upon the income of a whole diſtrict, every article of the property which produces it ought to be ſpecified. If this be omitted, there is a legiſlative authority veſted in thoſe who make the diſtribution.

The articles which compoſe the whole property, and the revenue of each article being once determined, the ſtate has it in its power to impoſe the tax according to what proportion it thinks fit; namely of one, two, or more ſhillings in the pound. But then, in favour of the contributors, the differ-

* The aſſeſſments, in the annual act for the land-tax, are generally underſtood to be at the rate of 1, 2, 3, or 4 ſhillings in the pound; although no ſuch rate is mentioned in the ſtatute with reſpect to real eſtates or land. The rate of a certain number of ſhillings in the pound occurs with regard to perſonal property only.

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ent articles which produce the ſuppoſed total, ought either to be ſpecified in the law, or reference ſhould be made to a book of valuation where they are recorded.

It is no eaſy matter to frame the valuation of all the property of a country: and it is a ſcheme I ſhould be very far from propoſing, unleſs the ſpirit of a nation took ſuch a turn as to wiſh for it. But where a determinate ſum has been uſed to be levied upon a certain diſtrict, it does not appear ſo difficult to make a proportional diſtribution of it according to equity, and to adhere for the future to this diſtribution, conſidering it as a *proportional* valuation, if not a *real* one. This is done every year, and without it no ſuch tax could be raiſed. But when annual diſtributions are made, diſcontents conſtantly ariſe; and the pretended equality thereby obſerved, produces worſe effects than the inequalities which would follow from the other ſcheme: becauſe the change in the relative value of poſſeſſions would then be chiefly owing to the induſtry of every proprietor in improving his lot.

How valuations in England were made originally I cannot tell *; but in Scotland, it is very certain, that

* There is no trace in the hiſtory of England ſince Doomſday book, of any regular valuation being made of all the *lands* of the kingdom, nor of any tax impoſed, *ſingly*, on this branch of property.

The ſubſidies, monthly aſſeſſments, and pound rates, in the different ſtages of the monarchy, have all been mixed duties; compoſed of a charge upon the lands, upon the money and perſonal eſtates of the ſubject, and frequently including a poll-tax, where qualities, that is rank, were differently charged.

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that as to lands they were all ſet down in a book of valuation at their ſuppoſed rents at that time. So let the ſum raiſed be what it will, every man at leaſt knows that his proportion muſt be according to his valuation in the general regiſter.

In England, the caſe is totally different. The proportion which every diſtrict is to pay, is indeed recorded in an original diſtribution made many years ago in the reign of William and Mary. By this it appears what every city, county, univerſity, &c. is to pay according as the tax is impoſed at one, two, three, or four ſhillings in the pound. This is preciſely the regulation in France, as ſhall be more fully obſerved; but ſtill ſuch regulation nowiſe prevents the moſt grievous inconveniences which attend this tax; becauſe the burden of it does not ſo much conſiſt in the total amount, as in the partial diſtribution upon the inhabitants in every ſubdiviſion.

In England, let me ſuppoſe the proportion of the general ſum for a particular diſtrict to be ten thouſand pounds, at four ſhillings in the pound. How is this to be levied as the law ſtands? Inſtead of books of valuation, which ſhew at leaſt the proportion of every man's property, if not the real value of it, aſſeſſors are conſtantly called in, who exa-

The whole operation of diſtributing and raiſing this duty, has been by commiſſioners named by the King, or by parliament, who ſometimes upon oath, and ſometimes not, have inquired into the extent of every one's private fortune, and aſſeſſed them accordingly. Whoever wiſhes to have a more full account of this confuſed method of raiſing a land-tax in England, may conſult Davenant's Ways and Means, Article of Monthly Aſſeſſments, and Aids upon a Pound-rate.

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mine the rents of all the lands according to the laſt leaſes of them. Upon ſuch lands as have been improved and let at a higher rate than formerly, the proportion of the tax is augmented. Upon thoſe which have not been let, but which ſtill remain in the poſſeſſion of him who improved them, the tax is not augmented. If the tax be found to fall too heavy upon the lands and houſes of the diſtrict, then perſonal eſtates are made to contribute, as is the caſe in London. All queſtions or diſputes about the repartition of the tax are determined, without appeal to the courts of law, by the commiſſioners appointed for laying on the tax; as in France they are determined by the Intendant. Without this regulation all would run into confuſion, for the reaſon I am now going to mention, and which regards the ſecond defect in this tax.

Any proprietor of lands is entitled, from the words of the ſtatute, to inſiſt that the whole perſonal eſtates of thoſe of the diſtrict ſhall be comprehended in the total value upon which the ſum impoſed is to be aſſeſſed. Were ſuch queſtions to come before a court of law, where the judges are obliged to determine almoſt according to the letter of it, I believe no land-tax could be levied in this kingdom. But manners, not laws, govern mankind. The ſpirit of the Engliſh nation is ſuch, as to be incompatible with every thing which favours of oppreſſion. Hence the few complaints againſt the aſſeſſors, or thoſe who judge between parties. And as the land-tax is levied without any complaints, except as to the total amount; while this remains the caſe, the fewer the innovations made upon it be, ſo much the better.

In

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CHAP. XI.

In France the ſum of the *taille* to be raiſed upon the kingdom for the year is determined in the King's council; and the proportion of every diſtrict (called an *Election*) is there particularly ſpecified. The diſtrict of an Intendant is called a generality, and comprehends in it ſeveral elections. The Intendant, therefore, makes the diſtribution of the general ſum impoſed upon the election, according to a certain proportion between every town, village, and pariſh in it; and rules are preſcribed to the collectors of every pariſh, concerning the method of taxing every ſpecies of income, every emolument of induſtry, even every animal in the poſſeſſion of thoſe who are ſubject to this tax. This proportion is calculated with the moſt ſcrupulous attention to every man's gain, upon all effects belonging to him, and upon every poſſibility of making profit by induſtry. All this is carried into execution with the greateſt ſeeming equality in the minute ſubdiviſions.

But as the firſt impoſition of the tax is not proportioned to the actual value of the income it is intended to affect, and as the Intendant does not ſet out by a particular valuation of every man's poſſeſſion, before he diſtributes the tax upon the ſeveral pariſhes, he is obliged to make up deficiencies, if any be found, by ſecond and third diſtributions.

Although this *taille* affect every ſpecies of property producing an income, as well as every kind of induſtry and employment, it does not affect every landlord for his rent, ſo much as every cultivator under leaſe, for his ſuppoſed profits.

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Land-rents in France belong, for the moſt part, to the higher claſſes; and theſe, whether they be well born or not, are exempted from this tax, provided they be *noble;* a word which has no reference to birth, but to certain privileges which any man, who has money, may acquire.

It was in order to avoid this exemption, that the Marechal de Vauban wiſhed to ſubſtitute a tenth inſtead of the preſent *taille;* for a reaſon we ſhall preſently ſee.

All the land-rents, therefore, of the nobles are exempted from the *taille*, and are affected by *vingtiemes* and *dixiemes* only; but when they cultivate their own lands, their privilege of exemption from the taille is confined to as much as four ploughs can labour; and this farming of the nobles muſt be carried on by menial ſervants, unmarried, in order to prevent ſuch proprietors from defrauding the tax, by really letting their lands while they ſcreen themſelves under the pretext of holding them in farm.

This exemption, as to their land-rents, is more apparent, however, than real. It is not the *lands* of the nobles, but the *rent* paid out of them which is exempted from the taille; conſequently, by impoſing an exorbitant taille upon the leſſee, very little remains for the land-rent; and this tax being laid upon a ſet of people who are loaded with many other duties, is in the end more burdenſome to the proprietor, than if he paid it himſelf. But a change in this policy is impracticable. The gentlemen of France will probably never ſubmit to a *taille;* and although, by yielding up this point of delicacy, their

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their rents might be raiſed in the end; yet as matters ſtand, they know they enjoy the rents they have, free from tax, and if once they were made to pay any part of them, they do not know where ſuch payments might terminate.

To avoid the infinite oppreſſion which reſults from the French principle of ſharing every man's profit as ſoon as he makes it, the Marechal de Vauban propoſed to aboliſh the taille, as it is paid at preſent, together with the *capitation*, *induſtrie*, and all the train of cumulative taxes committed to the management of the Intendants; and to eſtabliſh in their room what he called a royal Tenth, meaning by this term, a proportion of all the fruits of the earth, ſimilar to what is eſtabliſhed in favour of the clergy. This he propoſed to lay on, according to the exigencies of the ſtate, from one twentieth part to one tenth upon every article of the groſs produce of land, over all France. This higheſt rate he imagined to be equal to one tenth of the land-rent. And the author of a book publiſhed under the title of the *Reformateur*, containing a new plan of taxation, in which there are ſome things worthy of obſervation, follows in this particular the Marechal de Vauban, without ever conſidering the true nature of a tax of this kind.

Of all the taxes upon the income of land-property, the tithe is the worſt; and it has undoubtedly been eſtabliſhed among men, before agriculture or taxes were underſtood. Lands in all countries are of different qualities: ſome are proper for bearing rich crops of grain, others are indifferent; ſome produce paſture, others foreſt; the revenue of ſome

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consists in wine, in mines, and in a thousand different productions, which cost, some more, some less expence to cultivate. The tithe takes without distinction a determinate proportion of the fruits, in which is comprehended the tithe of all the industry and expence bestowed to bring them forward. As an example of this, let me suppose a field of corn, which cannot pay the proprietor above $\frac{1}{4}$ of the grain it produces, many I know cannot pay above $\frac{1}{5}$, but let me suppose it $\frac{1}{4}$: another may pay with ease $\frac{1}{3}$; another even $\frac{2}{5}$; the fields about Padoua pay $\frac{1}{2}$; grass fields pay still more; and rich hay fields will pay in some places $\frac{2}{3}$, and even $\frac{3}{4}$.

How then is it possible there should be any equality in a tax which carries off, without distinction, a certain proportion of the fruits, when these fruits bear no determinate proportion at all to the expence of raising them? But besides the inequality of this tax among proprietors, I ask how it is possible that any rent should be determined for lands, which are subject to a *variable* tithe, sometimes at $\frac{1}{10}$, sometimes at $\frac{1}{20}$ of the produce? Let me demonstrate the impossibility of such a plan, by an example.

I suppose the Marechal's plan established, and the tithe imposed to be deducted from the rent stipulated between master and tenant. This was his intention: he has in many places declared, that all tithes were to come out of the land-rent, which indeed is the only fund upon which a land-tax ought to be established. And he has as often declared that he never intended this land-tax should exceed one tenth of the rent, or two shillings in the pound.

I sup-

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I ſuppoſe a field, producing every year 1000 buſhels of grain, to be let: it is to pay a variable tithe, ſometimes of 100 buſhels, ſometimes of 50, according to the exigencies of the ſtate. I farther ſuppoſe one third of the produce to be equal to what the farmer can pay the landlord for rent. And I ſuppoſe the rent to be paid in buſhels of grain.

According to theſe ſuppoſitions, the rent muſt be 333⅓ buſhels ſubject to the tithe. Suppoſe it to be laid on at $\frac{1}{10}$, or 100 buſhels. Deduct this from 333 ⅓, remains to the proprietor 233 ⅓. The tithe comes next year to $\frac{1}{10}$; this makes 50 of deduction, remains to him 283 ⅓. So inſtead of 10 *per cent.* of his rent, he pays in the firſt caſe 30 *per cent.* and when at the loweſt, he pays 15 *per cent.* which is thrice as much as the Mareſchal propoſed to take.

But how are maſters and tenants to reckon with one another? Lands are not let according to a determinate proportion of increaſe. Suppoſe an eſtate in lands of different kinds, how is the tithe to be deducted then? Is the maſter to take the tenant's word both for the quantity and the value of every article he has paid as tithe, of every field, of every article in his poſſeſſion, even of the chickens in his yard? If on the other hand, this variable tithe be thrown upon the poſſeſſor, which, indeed, is the only poſſible ſuppoſition, which way are lands to be let, when we ſee that the difference of the impoſition, at different times, is no leſs than 15 *per cent.* or three ſhillings in the pound? This, however, would be the only method for maſters and tenants to reckon.

But

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But let me ſuppoſe a proprietor to let a graſs field adjacent to the other which bears grain, and both to be of an equal value as to the rent, ſuppoſing all tithes out of the way. The groſs produce of the graſs would be to the rent, little above the proportion of 4 to 3. Let us then call the groſs produce 1000, as in the other caſe, $\frac{3}{4}$ of which would be 750, for the rent. One tenth of the whole taken from that would leave the rent at 650, or little above $13\frac{1}{3}$ *per cent.* deduction at the higheſt tithe, and $6\frac{2}{3}$ *per cent.* at the loweſt.

What inequality, therefore, would not ſuch an impoſition occaſion upon land-rents, and what inextricable difficulties in the letting of grounds? From what has been ſaid, without farther inquiry, we may declare that no land-tax can poſſibly be raiſed, with any equality, by a royal tithe; and the Marechal has never conſidered farther, than how the King could with certainty and eaſe to himſelf, appropriate a portion of the lands in his kingdom, leaving the proprietors and their tenants to ſettle accounts the beſt way they could.

On the whole, nothing can make us approve of the Marechal's royal tithe, unleſs it be the preſent oppreſſion which proceeds from the method of levying the taille; by which it happens that in France few people wiſh to acquire the full property of lands.

Moſt of the great eſtates conſiſt of fee-farm rents. A man of three thouſand a year land eſtate, covers ſometimes with his nominal property (*dominium directum*) a whole country of fifty pariſhes; but the real property (*dominium utile*) of this vaſt extent is

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is ſubdivided into a number of ſmall fees, of which he is lord paramount only; the property of theſe belongs to the lower claſſes, who pay to the lord what are called *Rentes Seignoriales*, or noble rents, conſiſting in money and grain. Theſe rents can nowiſe be affected by any tithe impoſed, becauſe they bear no proportion to the produce: and ſuppoſing they did, as in ſome provinces, where they are called *agriers*, (which is the $\frac{1}{6}$ or $\frac{1}{8}$ ſheaf paid to the lord) the tithe, inſtead of taking a tenth of the *agrier*, takes a tenth of the whole crop; conſequently, one tenth only of this ſixth or eighth ſheaf falls upon the lord; the tithe of all the reſt falls upon the poor proprietor or leſſee, who the more he is induſtrious is oppreſſed the more by this impoſition; becauſe it carries off the tenth of his induſtry and labour, as well as of the produce of the farm which he rents*.

This is the tax which the Maréchal de Vauban recommended to be raiſed univerſally over all the land-property of France, when the tithe was at the higheſt. To this the late reformer adheres; but propoſes the twentieth inſtead of the tenth; and after a nice calculation of the groſs produce of France, he eſtimates one twentieth part of it to be worth about 95 millions of livres *per annum*. Hence

* Such great eſtates as are here deſcribed are commonly held in capite of the king; and contains, within their bounds, ſeveral noble lands, erected by the Lord Paramount into arrier-fees, which hold of him, as he holds of the King. The property again of the ſoil of theſe ſmaller fees, is diſtributed in the ſame manner with reſpect to the arrier-vaſſals, as the property of the great fee; namely, among thoſe of the lower claſſes, who pay to him what is called *rentes ſecondes*, and other dues.

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I conclude, that the twentieth part of the income, or one ſhilling in the pound of all the revenue of ſolid property in France, fairly collected, would not much exceed one third of this ſum, or about 30 millions, or 1 333 333*l.* ſterling. This firſt part, therefore, of the Marechal's tithe, impoſed at $\frac{1}{10}$, would lay a tax equal to three ſhillings in the pound on the poor leſſees and vaſſals of the nobles, while, contrary to his expreſs intention, the whole fee-farm, and noble rents of France, would eſcape taxation. From this we may conclude, that no tax upon land-rents can poſſibly be raiſed by way of tithe: as alſo that when it is taken in kind it is the moſt oppreſſive, the moſt unequal, and the moſt diſcouraging to induſtry, that ever was contrived.

The Marechal's principal motive for propoſing this mode of taxation, was to avoid the difficulty of obliging the nobles to pay the taille. He found alſo, that there would be great eaſe in collecting this revenue for the King, without demanding money of the lower claſſes. The conſequence, however, would have been, either to ruin all leſſees, if they continued to pay the ſame rent for the lands as formerly; or to introduce the greateſt inequality imaginable among proprietors, if the tithe had been totally caſt upon their rents: but as to the method of ſettling accounts between maſter and tenant, in conſequence of this tithe, both the Marechal and the reformer are totally ſilent.

The Marechal's *Dixme royale*, with all its defects, is a book of great value, from two conſiderations.

The firſt, that he had all poſſible acceſs to come at the true ſtate of the nation. The ſecond, that he wrote

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wrote with great impartiality, and with a ſincere deſire to ſerve the landed intereſt, without intending to hurt that of the King his maſter. From this book, we have an opportunity of judging of his notions of taxation; and from the conſequences he himſelf points out, we diſcover the miſerable ſtate of the common people in France, whoſe ſituation at this day is not much changed for the better.

The Marechal's ſcheme was to reduce the whole revenue of France under four heads.

The firſt, a general tithe of all the fruits of the earth, without diſtinction, which we have already explained.

The ſecond, a tithe upon every income whatſoever, even upon the profits of labour, ſervants wages, employments, poſſeſſions, and trades of all denominations.

The third, was a modification of the *gabelle*, or the duty upon ſalt.

The fourth, which he calls the fixed revenue, was to be compoſed of the domain, and ſeveral other branches of taxes which he allowed to ſubſiſt, judging them, I ſuppoſe, not hurtful to the ſtate.

I ſhall now ſhew wherein the Marechal's plan of taxation is contrary to principles, and leave the reader to make his concluſions.

Firſt, he has declared in many places, that his intention was to impoſe a tax upon the income only of land, which he underſtands to be that part which remains after the deduction of all expences of cultivation &c. in other words, what every one underſtands by land-rent, and which, no doubt, is the only proper object of taxation: but in order to im-

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poſe upon this part his royal dixme when at the real tenth, he takes the tenth part of the whole produce, inſtead of the tenth part of what goes for the rent; and, as far as I have been able to diſcover, he never perceives the great difference that there is between theſe two quantities.

The ſecond article was the tithe of every income, not ariſing from the fruits of the earth.

Where an income ariſes from a branch of property which can render it determinate, I ſhall offer no objection to a tithe, or two ſhillings in the pound upon it. But when he comes to tax lawyers, attorneys, phyſicians, &c. according to the value of their emoluments, I own I cannot find a poſſibility of preventing abuſe in the collection, or inequality in the impoſition of the tax.

The Marechal's principal point in view was agreeable to the ſtanding maxim in France, to make every one contribute according to his income. Very right, as far as it is poſſible, without implying much greater inconveniences than what can be compenſated by this imaginary equality. I call it imaginary, becauſe in the execution it will be found, that no body will really pay what they ought, except thoſe whoſe income cannot be concealed. Whenever any part can be hid, there muſt, in my opinion, reſult a great inequality, and great oppreſſion, in endeavouring to aſcertain it.

A ſhort obſervation will ſuffice to give a view of his notions with regard to merchants and trade in general. His intention was to be very indulgent to this claſs of inhabitants; and he feels all the advantages of trade. He propoſes, however, to proſcribe

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proſcribe all notes of hand payable to bearer, as it is a method of concealing wealth and exacting intereſt for money; which he ſuppoſes to be contrary to ſcripture. Trade would be ill carried on with the Marechal's reſtrictions.

When he comes to the lower claſſes, which he ſuppoſes to comprehend one half of the people, to wit, all tradeſmen, manufacturers, and day-labourers, their wives and children; he takes the example of a weaver, as a middle term, to judge of the gains of the tradeſmen and manufacturers. He ſuppoſes this weaver to have a wife and family, to work 180 days only (becauſe of the many holidays, as well as accidental avocations) at 10½*d.* ſterling a day. This makes his year's labour worth 7*l.* 17*s.* 5*d.* ſterling. Of this he takes 10*s.* 10½*d.* for the greateſt tithe. Beſides this, he exacts of him for his ſalt-tax, for four perſons in his family, 12*s.* 9*d.* So that this man, whoſe whole labour is worth 7*l.* 17*s.* 5*d.* ſterling, is to pay 1*l.* 3*s.* 7½*d.* of cumulative taxes out of it, which is above $\frac{1}{7}$ of the whole fund of his poor ſubſiſtence: after which he adds, "This, in "my opinion, is a tax high enough for a weaver, "who has his two hands only to gain his bread "with, and who has houſe-rent, meat, and clothes "to provide for a family, who frequently can gain "very little for themſelves." To this I muſt agree.

I ſhall give one ſpecimen more of what the Marechal conſidered as an eaſe procured to day-labourers, in their then ſituation; which relief, however, they have not hitherto obtained.

Theſe he alſo ſuppoſes to work 180 days in the year, at not quite 8¾*d.* ſterling. He values his

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year's labour at 6*l.* 10*s.* 6*d.* ſterling, and here is the employment of this ſum according to the plan.

	£.	s.	d.
He is to pay for tithe of his *induſtrie*	0	8	8¾
For his ſalt-tax	0	12	9
For five Engliſh quarters of rye	4	7	1
For clothes to the family, utenſils, and repairs	1	1	11¼
	£. 6	10	6

I have been the more particular upon this part of the plan, becauſe it gives us a notion of what the Marechal thought a moderate eaſy tax laid upon 8 000 000 of inhabitants, to wit, 2 000 000 men and 6 000 000 women and children, according to his calculation.

I come next to the tax he propoſed to lay upon ſalt, of which mention has been made.

This tax is of the nature of an exciſe, and is called the *gabelle*, which we have explained already in a note; and the objections to it, as the Marechal has propoſed it, are no leſs than three very material ones.

Firſt, the proportion of the duty is far too great, conſidering the value of the commodity. The ſecond is, that being impoſed upon an article of ſubſiſtence, it operates immediately on the price of the ſalt, and conſequentially only on the price of labour. This is no great objection, were the proportion moderate; becauſe inſenſibly the price of labour would riſe, were the tax generally and exactly levied in proportion to the conſumption: but this was not the

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the caſe; and this circumſtance opens the laſt objection, and the greateſt of all, to wit, that the tax, proportional in its nature, is rendered cumulative, by being raiſed at the end of the year, in order to oblige every one to conſume the ſalt required.

Now by this mode of levying the tax it loſes every advantage of a proportional tax, and becomes an addition to the tithe laid upon the induſtry of the conſumer. Were every man in England to be rated at the end of the year, in proportion to the exciſe of as much beer as he may reaſonably be ſuppoſed to conſume, would this be an exciſe? certainly not. It would be a poll-tax to all intents and purpoſes, which no man could draw back.

I have little or nothing to object to the fourth article of the Marechal's plan. He propoſed no eſſential change, either as to the impoſition, or method of levying the taxes which compoſed it. The principal heads of them are,

Firſt, the royal domain, or the king's landed eſtate, together with all caſualties attached to royalty, or feudal ſuperiority; ſtamp-duties, and the *controle* of public acts by notaries.

Secondly, The cuſtoms upon importation and exportation.

Thirdly, Certain taxes of the purely proportional kind; among which was one upon tobacco, and one upon liquors drunk in public houſes in the country. Here entire liberty is left to the conſumers; and the taxes are principally calculated to affect, or as he calls it, to puniſh luxury, intemperance, and vanity. With this view he wittily propoſes an impoſition upon large and ridiculous

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wigs, at that time much in fashion, and upon several other articles of extravagance.

This is a short sketch of the Marechal's system of *royal tithe*, considered as to the principles only, upon which the several taxes were intended to be imposed. The treatise contains several admirable things; especially with regard to recapitulations of inhabitants, lands, houses, animals, &c. highly deserving the attention of the statesman, who intends to execute any plan for national improvement.

I shall now set before the reader the Marechal's calculation, as to the amount of the four articles, when at the lowest, and at the highest taxation.

When the tithe is understood to mean the 20th part of the fruits, &c.

	Livres.
I. The tithe of the lands - -	60 000 000
II. The tithe of all revenue and industry - - -	15 422 500
III. The salt-tax at eighteen livres the *minot* * - - -	23 400 000
IV. The fixed revenue - -	18 000 000
Total of the four articles, when at the lowest taxation - -	116 822 500

When

* The *minot* is a measure of capacity equal to three Paris bushels, or the fourth part of a septier; which septier is about one half of an English quarter. This makes the *minot* to be about an English bushel. The Marechal proposed that this quantity, when at the lowest price, should be sold for 18 livres, or 1*l.* 6*s.* 1½*d.* sterling; and when at the highest, at 30 livres, 2*l.* 3*s.* 6½*d.*

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	Livres.
When the tithe is underſtood to mean the tenth part of the fruits, the two firſt articles are juſt double of what they are ſtated at above, viz. - - -	150 845 000
The ſalt-tax at thirty livres the minot - - -	39 000 000
The fixed revenue never changes, and ſtands always at - - -	18 000 000
Total of the four articles, when at the higheſt taxation - -	207 845 000

In impoſing this tax upon the fruits, he allowed no exemptions, not even in favour of the princes of the blood: for this he gave an excellent reaſon. Tithes, ſaid he, were the ancient patrimony of kings. The Roman emperors and kings of France enjoyed them. From theſe duties no noble was exempted. This appears from the eccleſiaſtical tithe, which he alleged to be nothing but the royal patrimony, alienated in favour of the church; conſequently, there is nothing derogatory to nobi-

from which we may judge of the exorbitancy of the gabelle, even after all the diminution he thought proper to make upon it. The French money mentioned in the Marechal's Dixieme royale, is here converted into 52½*d.* ſterling for the French crown of three livres: becauſe the ſilver coin in France, at the time he wrote, was 30 livres 10 ſols the marc (Dutot, chap. 1. art. 6); and at preſent it is at 49 livres 16 ſols.

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lity in paying the tithe, although nothing be more ſo than paying the taille. So great is the difference between terms, when the ideas of a nation are connected with them!

CHAP. XII.

Miſcellaneous Queſtions relating to Taxes.

THE ſubjects of credit, debts, and taxes, have been ſo extenſively treated of in the two laſt books, that I hope no queſtion I now can propoſe will ſerve for any purpoſe, but to ſuggeſt the ſolution of it, as far as it comes under the principles we have been deducing.

QUEST. 1. What is the moſt proper method for impoſing a land-tax?

I anſwer, that according to equity and juſtice, all impoſitions whatſoever ought to fall equally and proportionally on every one, according to his ſuperfluity; but in land-taxes this equality is not ſo eſſential as in moſt others. The great hurt ariſing from inequality in taxation proceeds from the inequality occaſioned thereby between the individuals of the ſame claſs of the induſtrious. When the ſame tax affects people of the ſame claſs differently, thoſe who bear the heavieſt load gain leſs, though their induſtry be equal. But in land-taxes the caſe is different: the taxes there diminiſhes only an income already made, and in fact diminiſhes the value of the property; ſo that were land taxes made perpetual deductions, the whole loſs of the tax would fall

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fall at once upon the actual poſſeſſors at the time it is impoſed. Every ſubſequent purchaſer, by deducting the land-tax out of the rent, would calculate the value of the remainder only; and the conſequence of the tax would be, virtually, to transfer a part of the land-property to the ſtate.

The conſequence of ſuch a change upon property produces a variety of new combinations. The ſtate may then ſell this portion of its property; it may with the price received pay off part of its debts; it may acquire certain diſtricts of the country, where, being both ſovereign and proprietor, it may aboliſh taxes, which would then in a great meaſure affect itſelf only, and eſtabliſh manufactures for foreign exportation.

Although an abſolute equality in this tax, be not ſo very requiſite, ſtill the inequality ought to be aſcertained, and every income intended to be affected by the tax ſhould be ſpecified in one way or other. For this purpoſe, the beſt method ſeems to be, to make the regulation of any one year a rule for the ſubſequent years, until it be judged proper to make a new general valuation of every part. This is a conſequence of what has been ſaid: a fluctuating annual valuation, which is the caſe in France, is a great diſcouragement to the improvement of lands, and produces numberleſs inconveniences, which upon the whole, are too great to be compenſated by the equality implied by ſuch a regulation.

I agree that the ſame land may be worth more one year than another: but it is impoſſible by a fluctuating valuation to aſcertain this difference over a whole

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a whole country ſo as to do juſtice to every one; and although, by fixing it at one rate upon every poſſeſſion, inequalities muſt take place, yet fixing it from riſing in proportion to improvement, will prove an encouragement to induſtry, which will greatly overbalance ſuch an inequality. Every one then will be in the way of acquiring an addition to his income, free of land-tax; and if this be thought too great an encouragement to improvement, let the regulation be fixed for a determinate time only; ſuppoſe for a century. This is no more than giving every one a leaſe as it were of his land-tax for a hundred years: and experience ſhews, that without granting long leaſes it is impoſſible that lands ſhould ever be improved.

Were innovations practicable, according as right reaſon and plain principles direct, it is very certain that a land-tax might be impoſed in a better way than I have here ſuggeſted. But to what purpoſe would it be to lay down ſchemes beyond the power of execution, when the principles already deduced ſo plainly point them out?

QUEST. 2. Which is the beſt method of levying taxes; by farm, or by the management of commiſſioners appointed by the ſtate?

The beſt way to anſwer this queſtion, is to ſhew the inconveniences and advantages of both. The arguments againſt farming are,

Firſt, The great fortunes made by the farmers occaſion jealouſy, and expoſe to the eyes of the people a ſet of men who are become rich at their expence; hence envy ariſes, and hatred againſt government.

Secondly,

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Secondly, In years of ſcarcity, war, or public calamity, deductions of the rent, or annual ſums paid by the farmers, are demanded, and can hardly be refuſed, and the farmers always overvalue their loſs; here therefore is an unequal bargain: the farmer *muſt* gain, the ſtate *may* loſe.

Thirdly, The people pay leſs willingly to the farmers than to the King; magiſtrates in general ſupport the raiſing of duties with more unwillingneſs, and ſeverities upon delinquents are leſs eaſily born.

Theſe inconveniences are avoided in the management. There men of the beſt abilities may be entruſted with that employment; experience ſhews that many branches of taxation have been carried to great perfection under management, and men of probity and capacity will act with as great zeal for the public as for themſelves.

The principal arguments for farming are; the advantage of having a fixed and certain revenue to depend on at regular terms; that the farmers act with more zeal for themſelves, and with greater impartiality in employing under-officers, as well as with more frugality, and therefore can afford to give a higher rent, with conſiderable profit to themſelves, than can be made effectual under the beſt management: beſides, every one judges himſelf capable to adminiſter the King's affairs; becauſe he finds profit in it; but people think twice before they undertake to be farmers of a revenue they do not well underſtand.

In the adminiſtration of taxes, it is not ſufficient to inquire into the general conſequences of the two modes

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modes of adminiſtration, namely, the management or the farming, but it ought alſo to be the object of a ſtateſman's attention and care, to profit of every advantage ſeverally attending each of them. Thoſe of the cumulative kind eſpecially, affecting the lower claſſes, would be very improper objects of a farm; becauſe it would be in a manner delivering over the greater part of a people to the rapacity of tax-gatherers.

On the other hand, the farming of proportional taxes is not liable to ſo many inconveniences. The farmers there are principally employed in watching over thoſe who *advance* the taxes, and who are themſelves, as has been ſaid, in reality the tax-gatherers over the people.

When therefore circumſtances permit, without inconvenience, that the fabrication of exciſable goods be incorporated with the farm of the duties laid upon them; this of all others is the beſt method of levying taxes. Examples of this are familiar almoſt every where. The farmers of the ſalt and of the tobacco in France are in this ſituation. In retailing theſe commodities, they collect the price they pay for the farm of the duties impoſed on them. It is not the ſame of the aids in France. There the farmer ſuperintends the immediate tax-gatherer, to wit, the retailer of ſpirituous liquors, or of other things ſubject to the tax. Circumſcribing the number of places where exciſeable commodities are fabricated, and ſhutting them up within incloſures, would greatly facilitate the levying of all exciſes, whether by farm or by management.

In order therefore to decide whether the preference ought to be given to the management or to the

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the farm, circumſtances are to be weighed. When a tax is new, or has been ill managed, or has fallen, without any viſible cauſe, below what it formerly produced, or ought to have done; or when the amount is unknown, by being of an extenſive collection: in ſuch caſes, ſhort farms, and even ſeveral ſubdiviſions of them in a country, may be of uſe. But when a tax is well underſtood, and a good plan of levying it laid down, it may be well raiſed, and perhaps better improved, under a management; as alſo, when it is of a nature to be eaſily underſtood, and when the very exerciſe of levying it points out all the frauds which poſſibly can be committed.

Davenant, who well underſtood this queſtion, in his 4th Diſcourſe upon revenues, recommends farms which are not *abſolute*, but *limited*, as the beſt. By limited, he underſtands, that the farm ſhould firſt be given for a fixed ſum; that the farmers ſhould carry on an open adminiſtration, liable to the government's inſpection in every particular; that in caſe the profits of the farm ſhould exceed the rent ſtipulated, a certain ſum ſhould be aſcertained for the charge of management, and the ſurplus ſhould belong to the King, allowing a certain poundage to the farmers to animate their diligence *.

He very juſtly obſerves, that a tax, when farmed, in order to be improved, will naturally draw, at firſt, a leſs rent than the ſum liquidated as a free profit by the former management; becauſe the far-

* This plan of Davenant's was carried into execution in France by Monſieur Silhouëtt, in 1759.

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BOOK V.

mers will be willing to ſecure to themſelves a good profit; and next, becauſe they will be obliged to make a conſiderable advance, as a ſecurity for fulfilling their engagement, which muſt alſo be conſidered as a deduction out of the produce of the tax.

All the advantage therefore in farming muſt be looked for after the expiration of the leaſe; for which reaſon, the ſhorter the term be, ſo much the better: three years, it ſeems, was the common term in England, in Davenant's time.

All new impoſed taxes ought to be raiſed with the greateſt lenity, not to revolt the minds of the people: the firſt year's deficiency is well beſtowed, if government can but diſcover the different ways which may be fallen upon to defraud the tax, and can form a good judgment how far the amount of it may go in time to come, when the management may be brought to perfection. As long therefore as a management continues to improve a tax newly laid on, I ſhould not think of farming it: but when, either from the extent of the impoſition, or the nature of it, frauds begin to multiply, and management begins to become more and more difficult, then is the time immediately to put it into farm, either for different diſtricts of a country, or in ſub-farms. If this be delayed, frauds will daily increaſe; and the difficulty of preventing them will carry government to the expedient of impoſing penalties, ſevere in proportion to the frequency of the crime. Commiſſioners will conſtantly put theſe in execution with reluctance; the management will become ſlack; or if penalties be rigorouſly exacted, they

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they will become a handle for oppreſſion; and even though juſtice be done, and none but delinquents be puniſhed, yet ſtill the people will be ill affected by the puniſhment of an action which in itſelf they are too apt not to conſider as a crime: whereas by farming, frauds will be prevented by vigilance more than by fear of puniſhment; and this is by far the better expedient. Thus inſtead of feuds daily increaſing, they will daily diminiſh, and the tax will yearly improve.

Here Davenant well obſerves, that *nothing but divine wiſdom can at firſt create perfect order; but in all human affairs it muſt be the work of time, and the reſult of much labour and application.*

One good reaſon for managing a tax before it be farmed, is in order to learn the nature of it, and of the frauds it is liable to. When theſe are not rightly known, the farmer can more eaſily ſurprize the government, and obtain from it new regulations, under the pretext of preventing frauds; which regulations he may abuſe, and turn to other purpoſes than thoſe intended.

Davenant has a very good remark, p. 154. That a new tax, impoſed upon conſumption, and ill levied, equally raiſes the price upon the conſumers, and the whole profit centers in the hands of thoſe who retail. That when an old exciſe becomes ill levied, the profit is divided between the inferior officers (who collect it) and the retailers. The reaſon is, that a branch which is well underſtood, is not ſo liable to *frauds* as to *colluſion*. This ſhews that exciſes ſhould never be impoſed without exerting every endeavour to have them rightly collected.

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The ſtate ſhould alſo keep a watchful eye upon the augmentations made in the price of exciſeable commodities, in order to keep the augmentation juſtly proportioned to the duty. If this be neglected, the overcharge hurts conſumption, diminiſhes the produce of the tax, and enriches the retailers only. Here competition is neceſſary to be introduced: the public may even erect a manufacture which may regulate prices, and as ſoon as they are properly aſcertained, the ſelling price may be fixed by an aſſize.

An ill levied exciſe is attended with this additional inconvenience, that it eſtabliſhes an inequality among the induſtrious of the ſame claſs who manufacture the goods exciſed; conſequently, an unequal competition. This happens when particular officers are diligent and exact in doing their duty, while others are remiſs. The profits of retailers are *high* in proportion to the *negligence* of the officers of the revenue; and their extraordinary profits enable them to underſell and to ruin thoſe who are exactly looked after: the conſequence of this is, to diminiſh the number of retailers; to introduce hurtful monopolies; and in general, to hurt the whole branch of the manufacture. All remiſſneſs, therefore, in collecting an exciſe, draws along with it a prejudice to the Prince and to his people: and the relative profit, which balances this loſs, falls into the pockets of the fraudulent manufacturer, and the corrupt and negligent collector. This is not all; the deficiency muſt be made up in another way; for taxes muſt produce the ſums wanted. Thus the remiſſneſs in collection occaſions a new additional burden to be laid on the people.

QUEST.

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CHAP. XII.

QUEST. 3. What is meant by *income*, relatively to individuals, or to a ſtate, and what is the nature of the *expence* which muſt diminiſh it, when it is conſidered as the object of taxation?

The great intricacy of this queſtion proceeds from hence, that what is really an expence to one is the income of another: ſo that without applying our reaſoning to every particular fact, no general explanation can be rendered intelligible. My reaſon for propoſing it in this place, is, that in commenting upon ſome paſſages of Davenant, in his diſcourſes upon the revenues of England, I may have an opportunity of illuſtrating ſome things which have been already examined.

Davenant was an admirable writer; he had a remarkable genius for political theory, and his ſentiments upon many things are very generally adopted. My intention here is not to refute his opinions, but to avail myſelf of his combinations, in order to explain my own ideas.

In his firſt diſcourſe upon revenues, we find the following paſſage.

"The number of the people leads us to know "what the yearly *income* may be from land, and "what from mines, houſes, and homeſteads, rivers, "lakes, meers, ponds, and what from trade, la- "bour, induſtry, arts and ſciences: for where a na- "tion contains ſo many acres of arable land, ſo "many of paſture and meadow, ſuch a quantity of "wood and coppices, foreſts, parks and commons, "heaths, moors, mountains, roads, ways, and "barren and waſte land; and where the different "value of this is computed, by proper mediums,

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"it is rational to conclude, that such a part of the "people's expence is maintained from land, &c. "and such a part from mines, houses, &c. and that "such a part is maintained from trade, labour, &c. "and the poor exceeding so much the rich in "numbers, the common people are the proper me- "dium by which we may judge of this expence.

"There is a certain sum requisite to every one "for food, raiment, and other necessaries; as for "example, between 7 and 8*l. per annum;* but some "expending less, and some more, it may not be "improper to compute, that the mass of mankind, "in England, expend, one with another, near 8*l.* "*per annum:* from whence it may be concluded, "that an *annual income of so many millions* is needful "for the nourishment of such and such a number "of people."

The reasoning here takes a wrong turn. It is of no consequence to compute the value of things consumed without alienation. It is of no use to know that the value of the physical-necessary of an Englishman is 8*l.* a year; because if this sum be supposed to be an exact quantity of income, not one farthing of tax can come out of it. So that imposing, for example, 5 *per cent.* upon this article would be raising only the physical-necessary to 8*l.* 8*s.* which 8*s.* must be paid, not by the physical-necessarian, but by somebody having superfluity who employs him: and if there were not superfluity enough in England to answer to 8*s.* a head, such a tax could not be levied.

He afterwards supposes that the income of this class may amount to about twenty millions a year, which

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which at 8*l.* each, anſwers to two millions and a half of people. He ſtates the income of lands at fourteen millions, and the income of trade at ten millions, in all at forty-four millions a year: and hence he concludes, that taxes ought to be impoſed in ſome proportion to this total.

Now if he ſuppoſe the firſt article of twenty millions, ariſing from the income of thoſe who are employed in arts and manufactures, according to the former calculation of 8*l.* a head, to be as ready a fund for taxation as the land-rents, we muſt examine, by the principles we have deduced, whether there be any ground for ſuch a ſuppoſition.

Let me ſuppoſe one of this great claſs to work a whole day for his victuals only. Here is an alienation of work for food. It is impoſſible, however, to raiſe a tax in money upon this alienation; becauſe it may eaſily be ſuppoſed that neither party has a farthing. The only method therefore, for impoſing a tax in ſuch a caſe, would be, either to oblige the workman to ſet apart a portion of his day's work for one who would pay the public for the value of it; or to oblige the perſon who gives him his food, to pay the public for the privilege of employing him in his ſervice. The one and the other are examples of proportional taxes. But this method of taxation is abſolutely unknown. In this example there is an alienation, which, I have ſaid, conſtantly implies a ſuperfluity of one kind or other. The labour of the perſon working is, here, ſuperfluous to himſelf; therefore a part of it may be applied towards the public. But the bread he receives is in no part ſuperfluous, and therefore cannot be

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laid under taxation *as to him*. But then the bread given for the labour is ſuperfluous to the perſon who gives it; and as this implies that he has a ſuperfluity of bread, the ſtate may demand a ſhare of this ſuperfluity.

By this expoſition of the matter it appears, that in order to raiſe a tax, in whatever way it be done, ſome kind of ſuperfluity muſt be ſuppoſed. It alſo points out how it ſhould be laid on: for if by miſtaking the proper object, a part of the *bread* ſhould be taken from the *workman*, inſtead of being taken from the *man who employs him*, the tax would affect the phyſical-neceſſary of the labourer, inſtead of affecting the ſuperfluity of the employer.

Let us next ſuppoſe a workman able to do no more than what is requiſite to dig the ground for roots to eat, inſtead of digging it to procure bread from a man who has bread to ſpare; ſtill there will be no alienation; conſequently, no poſſibility of eſtabliſhing a tax: for if you either take a part of his labour, or of his food, you deprive him equally of his phyſical-neceſſary. Yet the work of this man, and his food, may be valued at ſo much money; and thus may enter, in one ſenſe, into Davenant's general article of income or expence; but it does not follow than any tax can be raiſed upon ſuch an income.

To eſtimate, therefore, the total value of what is the object of taxation, we muſt go another way to work. The firſt article muſt be the *annual income* of all *funds*. By funds, here, I underſtand the capital wealth already made, in oppoſition to the produce of induſtry, which may be conſidered as the materials of which ſuch funds are compoſed.

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The fund therefore is the accumulation of ſavings, which, not having been ſpent by the induſtrious, form a capital of a nature to produce an income, either from land, or from any other valuable thing. Thus land-rents, annuities, intereſt of money, emoluments of offices, ſalaries, even wages of ſervants; in ſhort, every fixed income, I range in this firſt article, which I call *annual income*, produced from a capital already formed, either real or ſuppoſed.

This may be laid under taxation by a pound-rate, or otherwiſe, and forms that kind of tax which I call cumulative and arbitrary; becauſe a man who has any ſort of viſible revenue, comes under this general rate, let him have ever ſo many neceſſary deductions out of it, ever ſo many debts and incumbrances. From ſuch circumſtances, cumulative taxes frequently turn out extremely burdenſome.

The ſecond object of taxation is upon alienations made for money. Whenever we come to diſpoſe of money in the purchaſe of any thing, the ſtate has an opportunity of exacting a part of it as a tax; but while it remains hid, it can neither be come at, or laid under contribution, without extortion or violence.

All branches of expence may be laid under taxation by exciſes, which I call *proportional taxes*; becauſe a man is never ſubjected to them, but in proportion to his expence; and his expence ought naturally to proceed from his income.

As for trade, I do not clearly ſee how the profits of it can be regularly taxed. In France, indeed, they are taxed under the firſt head, and are conſidered as an income. Such an impoſition is not well

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judged; becauſe *there* the materials for making the fund are taxed as if they were the income of a fund already made. The ſavings only out of the profits upon trade, placed ſo as to produce a permanent revenue are, what can properly be conſidered as a fund: the *income* therefore of theſe ſavings, and not the ſavings themſelves, ſhould come under this branch of taxation.

Cuſtoms are improperly called taxes upon trade. When ill impoſed they may ſtop trade, or render it leſs profitable by diminiſhing the demand for the goods ſo taxed; but they can take nothing from the profits already made.

In a trading nation, the great branches of commerce produce a certain determinate profit, ſubject, I allow, to augmentations and diminutions, from accidents and circumſtances impoſſible to be foreſeen: and the cuſtoms impoſed upon exportation and importation differ from exciſes more in the method of levying them than in any thing elſe.

Davenant, in my opinion, would have given a better idea of the ſum which taxes might have produced in England, had he examined the amount of all the branches of revenue, and of all the ſpecies of ſale, than in the manner he has done. Theſe two points known, it would be expedient next to inquire, in what manner the ſeveral articles could be made ſubject either to cumulative, or proportional taxes.

I muſt now take notice of another paſſage of Davenant, where he explains himſelf upon the queſtion before us: it is in his fifth diſcourſe upon revenues, where he ſays,

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"By annual income, we mean the whole that "arises in any country from land and its product, "from foreign trade, and domestic business, as arts, "manufactures, &c. and by annual expence we "understand what is *of necessity* consumed to clothe "and feed the people, or what is *necessary* for their "defence in time of war, or for their ornament in "time of peace: and where the annual income ex- "ceeds the expence there is superlucration arising, "which may be called wealth or national stock.

"The revenue of a government is part of this "annual income, as likewise a part of its expence, "and where it bears too large a proportion with "the whole, as in France, the common people must "be miserable and burdened with heavy taxes.

I must comment a little upon this passage.

I have no objection to this exposition of the matter; the ideas are intelligible and clear: but I object against the application of his doctrine to taxes; because it would lead to error. Here are my reasons:

First, Income is called the whole of the earth's productions: this I may admit to be just, except when we consider income as an object of taxation. But if we retain the same definition to express the income of one, for example, who labours the soil for his own subsistence, as well as of another who labours it as a trade, the difference in paying their taxes out of it will be very great. He who draws nothing from the ground but his physical-necessary, can be laid under no taxation; because he has no superfluity. And if he be obliged either to give a part of his crop in tax, or to sell any part of

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it for money to be paid to the public, this diminiſhes his phyſical-neceſſary, and forces him to ſtarve: whereas the other, who exerciſes agriculture as a trade, may be obliged to pay a part of his ſurplus by way of tax or rent; and ſtill his phyſical-neceſſary may remain untouched.

It is for this reaſon, that in treating of theſe matters, I am always at the greateſt pains to point out, that nothing can be the object of taxation, except what is over and above the phyſical-neceſſary of every one.

In all countries where a *land-tax*, *ſteuer*, *taille*, or by whatever name it goes, is eſtabliſhed, care muſt be taken to prevent the huſbandmen from confining their labour to ſuch a ſmall ſpot of ground as is barely ſufficient to produce their own phyſical-neceſſary, unleſs when they have a trade to aſſiſt them in paying what the public demands of them.

From this circumſtance, and this only, it happens, that the land-tax in England is ſo little burdenſome, comparatively to what it is in many nations of Europe. Lands in England are let in large portions: nobody will let a farm ſo ſmall as to be proportioned to the ſupplying of the mere phyſical wants of the farmer. But in other countries, where the œconomy is different; where inheritances in land are conſtantly divided, as moveables, among all the children; the lots become ſo ſmall, that the proprietor can draw no more from them than his own ſubſiſtence; and then when a land-tax is impoſed, this poor little portion being valued in proportion to what it can produce, as well as the greateſt

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greateſt eſtate in land, the huſbandman is ſtarved, although the tax demanded of him be laid on in the exact proportion to the produce of his land, while he that has a ſurplus is quite eaſy.

I would therefore recommend, in countries where this minute ſubdiviſion of lands has taken place, that for the future no lot under a certain extent or value ſhould be ſuffered to be divided among the children, but ordered to be ſold, and the price divided among them; and that the ſame regulation ſhould be obſerved upon the death of ſuch proprietors whoſe lands are not ſufficient to produce three times the phyſical-neceſſary of the labourers. This would engage a people to exerciſe agriculture as a trade, and to give over that trifling huſbandry which produces no ſurplus, and which involves ſo many poor people in the oppreſſion of land-taxes. This regulation never can be recommended in a plan to be executed all at once: it muſt be done by degrees, and in proportion to the progreſs of induſtry. The principle is ſo evident, that I never found any one who did not immediately agree to the juſtneſs of my obſervation; although in impoſing land-taxes I have nowhere found it properly attended to *.

Here then is the uſe of theory; it directs us in practice to avoid difficulties, which might otherwiſe be judged unſurmountable.

Secondly, I farther obſerve, that it is a more hurtful error ſtill to miſtake the produce of induſtry

* Some ſmall attention indeed is paid to the poorer ſort of landholders in England: for, by the annual act for a land-tax, no poor perſon ſhall be liable to the pound-rate, whoſe lands, &c. are not worth 20*s. per annum* value.

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for the taxable income ariſing from it, than to miſtake the groſs produce of land for the rent: becauſe the profits upon induſtry bear frequently a ſmaller proportion to its produce, than the rents of lands do to their full fruits.

The beſt method of raiſing money upon the lower claſſes of the induſtrious, is rightly to lay their conſumption under proportional taxes, which they may eaſily draw back; becauſe they will raiſe the price of their work proportionally.

From this we may conclude, contrary to the common opinion, that the teſt of well impoſed taxes is to raiſe prices in proportion. When they are rightly impoſed, every one who ſells a commodity which has paid a tax, will draw it back, whether he be induſtrious or not. If he conſume it, he cannot draw it back, but by raiſing the price of his work; which again he cannot do, unleſs the tax be made ſo general as to affect all his competitors; and unleſs the conſumption he has made be unavoidable to every one of them.

When we reflect upon the large quantities of exciſeable goods which are conſumed as ſuperfluities, we muſt conclude that the riſe of prices, daily complained of, proceeds more from our manners than from the taxes we pay.

Thirdly, the expence of a people is not merely what is ſufficient to ſubſiſt them; but what they conſume, either in fruits or manufactures. Had indeed Davenant computed the value of this neceſſary quantity, and deducted it from the income, according to his acceptation of income, the remainder would have been a tolerably good repreſentation

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tion of what I mean by income, or taxable fund; CHAP. XII.
becauſe whatever a people conſume beyond the neceſſary, I conſider as a ſuperfluity which may be laid under taxation.

Fourthly, I muſt alſo differ from him in his idea concerning ſuperlucration, wealth, or national ſtock.

According to him, this is the quantity of income remaining after the following deductions: Firſt, What is *neceſſary* to clothe and feed the people. Secondly, What is *neceſſary* for their defence in time of war, and ornament in time of peace. But according to my notions, I muſt alſo deduct all which is conſumed in ſuperfluities; for what is conſumed, whether *neceſſarily* or *ſuperfluouſly*, never can make an article of ſuperlucration, wealth, or national ſtock.

The ſuperlucration then of a nation conſiſts in the augmentations made upon her ſtock of every kind, capable of producing a proportional income: it is the converting into ſomething durable the well employed time of the inhabitants. In this ſenſe the new pavement of London, the roads, buildings, ſhips, &c. in England, are all articles of ſuperlucration, as well as the improvement of the lands, and conſolidation of the balance of her trade, which has created that part of the public funds belonging to natives.

QUEST. 4. Is it poſſible to convert a land-tax into one of the proportional kind?

This is a curious ſpeculation; and as it is a ſhort exerciſe upon ſeveral principles of this ſcience, it comes in properly at the concluſion of our work.

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To make a land-tax proportional, the proprietors of land ſhould be enabled to draw back the burden, in the ſale of the earth's productions. This they cannot do, as matters ſtand. The farmers who pay no land-tax underſell them; becauſe they have no tax to draw back.

Since the tax, therefore, cannot be drawn back directly, let us apply our principles to diſcover a method how this might be done indirectly.

Let nothing but lands be ſubject to this impoſition.

Let every part of them be valued, and recorded in a general regiſter.

Let bread, butchers-meat, and ſubſiſtence of all kinds, be laid under an exciſe, *in all markets*, and nowhere elſe, at a rate ſufficient to raiſe the tax intended to be laid upon the lands; and let the amount of this tax be drawn back by the landlords, in proportion to the valuation by which they have paid the land-tax.

That this is a reaſonable impoſition, appears from the whole plan of this work. We have ſeen in the firſt book, how the great body of the people is divided into labourers and free hands; that the free hands are the inhabitants of towns, who go to market for ſubſiſtence, and conſume what correſponds to the land-rents; conſequently the landlords, who at preſent pay a cumulative tax, which they cannot draw back in any ſhape, are juſtly entitled to the amount of this proportional tax, laid upon the great articles which produce their land-rents, and which are conſumed by the inhabitants not employed in agriculture.

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Every one who has written concerning taxes has endeavoured to contract the object of them as much as poſſible: more, I imagine with a view to eaſe the public than the people. I have followed another courſe. I have been for multiplying the objects of taxation as much as poſſible, and for making them more in proportion to expence than to property or income. But that I may conform myſelf in ſome meaſure to the ideas of thoſe who have examined the ſame ſubject, I ſhall propoſe a tax, which would fill up the place of every other; and could it be levied, would be the beſt perhaps ever thought of.

It is a tax, at ſo much *per cent.* upon the ſale of every commodity.

CHAP. XIII.

RECAPITULATION OF THE FOURTH BOOK.

PART I.

Of the Intereſt of Money.

INTROD. I INTRODUCE the ſubject of credit, by giving a general idea of its extent. It comprehends the method of eſtabliſhing a ſolid ſecurity for money borrowed; of extending the object of ſuch ſecurity in proportion to circumſtances; of ſupporting the credit of the borrowers, when overſtretched; and of preventing, as far as poſſible, the

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BOOK V.

the fatal consequences of a bankruptcy, when it can be no longer supported.

I shew how all mysteries relating to credit proceed from our ignorance only of its true nature; which is confidence established upon a visible and palpable fund of payment. I observe how delicate a thing credit is, and how gently it must be dealt with; how incompatible the forms of common law are with the discussion of questions which arise between merchants; how necessary it is to form a jurisprudence peculiar to trade, and to support it by manners more than by authority; and when credit is once set upon its true basis, how all aerial schemes, bubbles, and public bankruptcies will be avoided.

CHAP. I.

CHAP. I. Here I shew how impossible it is to establish credit by authority; how inseparably it is connected with liberty and independence; and still how compatible it may be with that supreme power which is vested in every government.

CHAP. II.

CHAP. II. The object of credit is money lent; the basis of loan is the payment of interest. If money be wanting, credit will die; consequently, there must be a method found for augmenting and diminishing the quantity of money in proportion to the demand for it. It is augmented, by converting land into paper-money; it is diminished, by relieving the land of the engagement upon it, and extinguishing the paper-money. This is no more than a contrivance for turning into a *circulating value*, which is the principal characteristic of *money*, the obligations of private men, which in all countries are considered to be of an equal value with any coin.

I here

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CHAP. XIII.

I here explain what is meant by money *ſtagnated* or regorging, and by money *realized*. Money, while it is employed in circulation, can carry no intereſt; the moment it lies idle to one man, were it but for a day, it may be worth intereſt to another, who willingly pays for the uſe of it, when he has occaſion either to buy what he wants, or to pay what he owes. If nobody be found who wants it, then it is ſaid to *ſtagnate*, or regorge in the hands of the proprietors. This denotes that circulation is full. He therefore deſires to *realize* it; that is, to purchaſe with it ſome kind of income. For this purpoſe, if it be coin, he ſends it to ſome place where coin is wanted. If it be paper, he demands of the debtor in the paper either to give him an intereſt for it, or to convert it into coin, which is the money of the world. Both are called realizing; and in proportion as money is realized, circulation diminiſhes.

Hence I conclude, that as the uſe of circulating money is to carry on alienation, ſo the uſe of ſtagnated money is to produce an intereſt; conſequently, a perpetual intereſt is better than money, when it is not wanted for the uſe of circulation. If therefore, by the policy of a country, the capital of every perpetual intereſt can be immediately converted into money for the uſe of circulation, the inconvenience of capitals not demandable is removed; becauſe although you cannot make the debtor pay, you can ſell what he owes you to another, who will; and this equally ſuits your convenience.

CHAP. III.

CHAP. III. The ſimplicity of manners among the primitive chriſtians, circumſcribing very much

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BOOK V.

the uſes for money in circulation, a great quantity of the coin was conſequently locked up. Paper money *then* was ſuperfluous; becauſe even coin itſelf ſo far exceeded all the uſes of their circulation, that it was conſidered in the light of jewels and plate with us.

Taking intereſt for it, when lent, appeared to them as unreaſonable, as if a lady, in theſe times, were to aſk a price for lending her jewels to a friend.

However, as money was neceſſary on many occaſions to thoſe who had none locked up, the Jews, who have always deſpiſed land-property, made a trade of lending; and this drew an odium upon the practice. I can aſcribe it to no other cauſe. Our manners are totally changed; and Chriſtians lend money at intereſt as well as Jews. Neither trade, induſtry, or credit, can ſubſiſt without it; and as money cannot be lent, without allowing intereſt to be taken, intereſt is become the baſis of the whole ſyſtem of credit, and comes to be examined in the following chapters.

CHAP. IV.

CHAP. IV. Before induſtry was eſtabliſhed, the calls for money to borrow were few, and chiefly confined to princes in time of war, and prodigal proprietors of land in time of peace. Their demands were urgent, and the intereſt they paid was in proportion. The lenders poſſeſſed but a ſmall part of the coin of the country; becauſe the bulk of the people locked up all they could. Thoſe who hoarded would not lend; and this greatly diminiſhed the fund of borrowing: beſides, princes and prodigals had no ſooner ſpent the money borrowed, than

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than it fell again into the hands of thoſe who hoarded; and the lenders found, no doubt, great difficulties in procuring freſh ſupplies.

When induſtry and trade brought money out of its repoſitories, when the neceſſity of permitting intereſt became evident to the church, the coin then began to make its appearance, and was ready to be lent. This opened a market for money. The price of money is the rate of intereſt. At this market, the borrowers and lenders appear in competition among themſelves, according to circumſtances. If more money be demanded to be borrowed than is offered to be lent, the competition takes place among the borrowers, and intereſt riſes. If more be offered to be lent than is demanded to be borrowed, intereſt falls. Thoſe who borrow money may be divided into two claſſes, viz. thoſe who intend to ſpend it, and thoſe who intend to trade with it.

When more money is to be lent than the firſt claſs demands, the rate of intereſt will be regulated by what merchants *can* give for it: when there is leſs, it will riſe to what the prodigals *will* give for it.

But this firſt claſs muſt have good credit, or their borrowing will be cut off. When therefore a ſtateſman finds, that the borrowing of ſuch people hurts the commercial intereſt of his country, by keeping intereſt high, he ſhould weaken their credit, by tying up their lands by entails. When their borrowing becomes neceſſary for the encouragement of induſtry, and for bringing all the money there is into circulation, then their credit ſhould be enlarged, by promoting an expeditious ſale of every branch of their property.

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CHAP. V. Thus, without the aid of law, the intereſt of money becomes regulated by demand. But a ſtate muſt not totally overlook the intereſt of the claſs who ſpend more than their income. It would be inhuman to throw them into the jaws of uſurers. Statutes therefore prevent intereſt from riſing above a certain rate. This preſerves them, and renders the diſſipation of their fortunes more gradual.

But although a ſtateſman has it in his power to guard his people againſt the oppreſſion of uſury, by preventing the rate of money from riſing above the ordinary ſtandard of demand, he cannot equally force it down below this ſtandard, even although the intereſt of trade ſhould require it: becauſe if the monied men can lend their capitals abroad, at a higher intereſt than they can procure for them at home, they will diſtreſs the landed intereſt, by demanding what they owe, and all the money will be ſent abroad, as was the caſe in Scotland in 1762.

This was not the caſe a hundred years ago. No money then could be lent abroad by Engliſhmen; becauſe thoſe foreigners who would give high intereſt had no credit. Thus government could bring it down at will; monied men were forced to conſent; and the price of land roſe in proportion as intereſt fell.

As it is the extravagance of men of property which raiſes the rate of money above what is conſiſtent with the intereſt of trade, the expedients to bring it down are, Firſt, To circumſcribe borrowing by the prodigal: Secondly, To ſuſpend borrowing by the ſtate: and Thirdly, To throw as much public money as poſſible into the market, by paying off debts.

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debts. When a ſtateſman has by ſuch meaſures brought the rate of money conſiderably below the legal price, he may, by a new ſtatute, prevent its riſing again ſo high as formerly; but ſtill he muſt keep in his eye the rate of money, and ſtate of credit in rival nations, in order to avoid the inconveniences already mentioned. CHAP. XIII.

CHAP. VI. Were Great Britain to regulate the rate of money below what the fluctuations of demand are commonly found to carry it in time of war; then as ſoon as demand, which can be ſubjected to no ſtatute, got up to the high ſtandard, the whole landed intereſt would be torn in pieces by their creditors: for the debtors could not then borrow from one to pay another, becauſe every lender would have the ſame intereſt to refuſe them credit. This would put an end to all their expence; the funds which ſupply it at preſent (the land-rents) would be carried off by the creditors; and the induſtrious who ſerve ſuch proprietors of land would ſuffer conſiderably for want of employment. The concluſion which the generality of people would draw from this phænomenon would be, that high intereſt, inſtead of being hurtful, muſt be advantageous to trade. CHAP. VI.

CHAP. VII. Hence we may conclude, that low intereſt is principally advantageous for carrying on foreign commerce, and that the beſt method for keeping it low, is to keep circulation full, by facilitating the melting down of property. CHAP. VII.

This expedient has been contrived by merchants in the eſtabliſhment of banks upon mortgage; and there is a poſſibility that landed men, ſome centu-

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BOOK V.

ries hence, may find out that they may imitate the example of traders, and contrive the means of borrowing cheaper than they can do at preſent.

Were a particular nation to carry ſuch expedients into execution with ſucceſs, it would have the effect of bringing down the rate of money every where. This would ſink the general average of it upon the whole, but never could prevent the operation of thoſe principles by which it had been brought down; and the moſt intelligent nations would ſtill have the ſame advantage as before; namely that of keeping their intereſt low relatively to their neighbours, which is the great *deſideratum* for the ſupport of public credit, as well as of foreign trade.

CHAP. VIII.

CHAP. VIII. But although it be of very great advantage to trade to have intereſt low, we cannot judge of the proſperity of trade from this circumſtance alone.

That nation gains the moſt upon her trade who draws the greateſt balance from the reſt of the world. Now the balance cannot be judged of by the rate of intereſt at home; becauſe this depends more upon manners and policy than upon the ſtate of induſtry. Induſtry muſt be ſupported by ſuperior dexterity, natural advantages, and promptitude of payments, as well as by low intereſt. Prompt payment alone, is of more conſequence to the induſtrious populace, than a ſmall difference upon the rate of intereſt. This encourages the whole claſs of manufacturers: Low intereſt is principally advantageous to the merchants who are obliged to employ credit for collecting their work; and merchants themſelves who trade upon credit, often gain more by

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by quick returns than what will compenſate a conſiderable difference in the rate of intereſt. Low intereſt may more properly be called the meaſure of public credit than of foreign commerce. CHAP. XIII.

CHAP. IX. From what has been ſaid, I conclude, that the rate of intereſt does not ſink as wealth increaſes; becauſe it is influenced by many circumſtances, which do not depend upon opulence. It depends upon the ſpirit and manners of a people, and will fluctuate with them. CHAP. IX.

PART II. *Of Banks.*

CHAP. I. HAVING deduced the principles which regulate the rate of intereſt, I proceed to inveſtigate thoſe which influence domeſtic circulation; and as banks are the great engine by which it is carried on, in tracing the nature of banks we ſhall fully underſtand the policy and principles of this kind of circulation. CHAP. I.

Banks either circulate notes, or transfer credit written in their books: the firſt are called banks of circulation; the latter banks of depoſit.

All banks are founded on credit, and according to the nature of their inſtitution, I may divide the credit they are built on into three kinds, viz. private, mercantile, and public.

Private credit is when the ground of confidence is real property, pledged for the ſecurity of the loan.

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Mercantile credit is when the cauſe of confidence is in the trading ſtock, abilities, integrity, and good fortune of the perſon who obtains it.

Public credit every one underſtands. It is when the cauſe of confidence reſts on a fund ſecured by public faith, for making good the intereſt and capital due to the creditors, which laſt however is never demandable from the ſtate.

Private credit is the moſt ſolid of the three; mercantile credit is the moſt precarious; and public credit depends entirely upon the maxims of every government with regard to public faith.

It is the object of confidence, not the quality of the perſon obtaining credit, which determines the nature of the credit. A merchant may grant bond on the credit of his lands; a landed man's bill, as member of a mercantile company, may affect his ſtock in trade only, and a Prince may pledge a province for a ſum of money.

The debts of a ſtate, and the bills of merchants, are more eaſily transferred than private ſecurities.

Public and mercantile credit ſtand upon a more precarious bottom than private ſecurity. A ſuſpicion of inſolvency will ſhake the two former; real inſolvency only will deſtroy the latter.

Theſe are ſome of the peculiarities which characterize the differences between the three kinds of credit. The juſtneſs of the diſtinctions I have made appears from the definitions, and is confirmed by other circumſtances mentioned in this chapter; and the utility of ſuch diſtinctions will appear from their application as we proceed.

CHAP.

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CHAP. XIII. CHAP. II.

CHAP. II. To eſtabliſh private credit, on the moſt ſolid and extenſive bottom, the real as well as the perſonal eſtates of all debtors ſhould be rendered of a ready converſion into money; the ſale of lands ſhould be rendered eaſy and expeditious; no entails or cloggs by mortgage and the like, ſhould be allowed; debts upon poſſeſſions ought to be regiſtered, and thoſe due to banks (the great public debtors) ſhould always be conſidered in a moſt favourable light.

CHAP. III.

CHAP. III. Banks of circulation upon private credit, are of great uſe in the infancy of induſtry. In countries where it is only taking root, the greateſt obſtruction it meets with is a ſcarcity of money. When money is ſcarce, payments are ill made; and when the uſes for money increaſe, if money be not made to augment in proportion, alienation will ceaſe to go on, and payments will daily be more precarious. This is ſo evident that I ſhall not inſiſt upon it.

Now as every individual in a ſtate does, leſs or more, ſupport induſtry by conſuming its produce, money ought to be provided for every one in proportion to the value of his property. This opens at once the princip le of banks upon private credit.

He who has money will willingly lend to every one who can give good ſecurity for it; and the obligation granted by the borrower is conſidered by the lender as better to him than the money he lends. Before the eſtabliſhment of banks, ſuch loans were made in coin; but as people diſcovered that a good obligation was as good as coin, they diſcovered alſo, that

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BOOK V. that when obligations could be made to circulate, they might ſupply its place.

For this purpoſe, banks found out an expedient for dividing obligations ſecured upon property into ſmall parts of the capital ſum; and by delivering them back to the borrower, with an obligation to pay them in coin to the bearer on demand, they conſtituted themſelves debtors to the public for every note. The conſequence of this was, that the coin of the country became leſs uſeful in circulation; and as the banks demanded it, and even gave premiums for obtaining it, it came into their hands, and ſerved the purpoſe of changing notes; that is, of ſubdividing the ſums mentioned in them, into the loweſt denominations of the money of the country.

There is not a nation in Europe ſo ignorant as not to feel the uſe of this policy; but there are few who have diſcovered how to eſtabliſh the confidence of the public in this general debtor, the bank. The reaſon is, that people imagine a bank ſhould at all times be able to turn all their paper into coin. Were this poſſible to be done, where would be the uſe of banks? How could they multiply money?

From this ſhort expoſition, we may underſtand the difference between banks upon private, mercantile, and public credit. The firſt lend upon the ſecurity of poſſeſſions; the ſecond, upon bills of exchange, which is called diſcounting; the third, upon the ſecurity of the public funds.

CHAP. IV. CHAP. IV. A ſcarcity of money only being found to ſtop the progreſs of induſtry, and thereby to circumſcribe the gains of merchants who ſupply conſumption;

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ſumption; and they perceiving that men of property become bad cuſtomers, more from the impoſſibility of making payments than for want of an inclination to conſume, joined together, and formed a conſiderable ſtock which they expoſed to the eyes of the public. This gave them credit, and every one who had money to lend was fond of placing it in their hands. Other people who wanted to borrow, applied to them for money. Their anſwer was, we have no coin; but if you want money for any purpoſe, we can aſſiſt you in credit, if you will give us ſecurity upon your eſtate bearing intereſt to us for the money we ſhall lend you. Here is, ſaid they, a note of ours, which any body will take from you as payment for what you want. This was the ſame thing to the man who wanted money for a particular uſe, as if they had given him coin; and as ſuch demands became frequent, the notes were printed, and inſenſibly banking was eſtabliſhed.

States perceiving the abuſe which might follow, were every one allowed to iſſue paper in this manner, judged it proper to erect companies, who lent them conſiderable ſums as a ſecurity for their faith to the public; and the ſuperior credit of ſuch companies drew the confidence of the public, and circumſcribed the dealings of individuals. Thus the trade of Lombards, who had formerly ſupported circulation by their bills of exchange payable to order, received a farther extenſion by the eſtabliſhment of banks, which, by iſſuing notes payable to bearer, rendered them, in all commercial countries, every bit as uſeful as any coin.

Banks

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BOOK V.

Banks once eſtabliſhed, regulations became neceſſary; and of theſe the firſt and fundamental one, was, to iſſue no notes but upon good ſecurity. If it be aſked, what ſecurity ſhould be taken? The anſwer is, the beſt thoſe who deſerve credit, and who wiſh to obtain it can give. In a country where trade and induſtry are little known, but where a taſte for refinement is taking place, the demand for every article of conſumption muſt be encouraged, in order to augment the ſupply. And as this demand for conſumption ſhould, naturally, come from men of landed property; the bank, therefore, ſhould firſt reſolve to iſſue notes upon the ſecurity of this kind of property alone.

When induſtry becomes more extended, and when trade becomes more ſecure, from the ſolidity of mercantile funds, banks may then begin to diſcount bills of exchange, and as this branch of credit enlarges, the bank will by degrees participate of the nature of thoſe ſecured upon mercantile credit.

When public credit, again, is well eſtabliſhed, they will lend upon government ſecurities, pledged in their hands, and thus become founded upon public credit.

According therefore to the principal object of their trade, they are ſaid to ſtand upon private, mercantile, or public credit.

When a proprietor of lands gives his bond to a bank, it ſhould be underſtood, that as long as he regularly pays the intereſt of the money borrowed, the bank is not to demand the capital.

For this bond they give notes, which are conſidered as ready money, and therefore carry no in-

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tereſt. So the profit of the bank is to receive intereſt for what they lend, and to pay none for what they owe. CHAP. XIII.

What they owe is the paper they iſſue. They owe this to the public; and the ſecurity which the public has, is the ſecurity which the bank received from the perſon who borrowed from them.

Hence the ſolidity of banks upon mortgage. Their notes become money, and this money is ſecured upon the whole ſtock of the bank, and the whole property engaged to them.

But as the ſtock of the bank is of a determinate value, and as the notes they iſſue may very far exceed it, the credit of a bank will be precarious, unleſs the value of the ſecurities upon which they lend, be equal to all the notes in circulation. It will alſo be precarious in proportion as the ſecurities themſelves are ſo. Hence the intereſt the public has to take care that banks give credit upon nothing but the beſt ſecurity.

CHAP. V. A bank, therefore, which lays down a rule to lend upon the mortgage of ſolid property only, would deſtroy confidence, if it ſhould launch out in giving credit to thoſe who have no ſolid property to pledge. CHAP. V.

CHAP. VI. The uſe of banks is to ſupport domeſtic circulation: this is two-fold; that carried on by conſumers, and that carried on by traders and manufacturers, who ſupply conſumption. CHAP. VI.

The circulation carried on among the firſt is in proportion to their income, and their credit ſhould be in proportion to the funds which produce it.

The

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The circulation carried on by the laſt is in proportion to the demand for their induſtry.

If a bank be eſtabliſhed on the credit of ſolid funds, it is very plain that they cannot ſupport the circulation of manufacturers and dealers upon the ſame terms, or in the ſame way they do that of proprietors. They may indeed diſcount bills; but they cannot give a permanent credit upon a ſecurity which is not founded upon property. This opens a new combination.

Trade and induſtry are diſperſed through many hands, and if the goods belonging to thoſe who carry them on be compared with what money is neceſſary for this purpoſe, it will appear very ſmall. What is deficient in money muſt be made up to them in credit; and this will be in proportion to their integrity, capacity, and good fortune. A frail ſecurity for paper, which is to become the money of a nation! Such ſecurities muſt be rejected by every bank whatever, or the whole fabric will tumble into ruin. But this ſubaltern claſs of dealers may have recourſe to merchants, whoſe wealth and funds are ſolid and extenſive. To theſe a bank may give credit, and they again, in their dealings with the other claſs, may indemnify themſelves of all the riſk they run, by profits in proportion to it.

This claſs of merchants I call *exchangers*; becauſe they deal principally by bills of exchange in the credits they give, which are of the greateſt advantage to an infant trade and a growing induſtry.

CHAP.

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CHAP. XIII. CHAP. VII.

CHAP. VII. When banks were firſt eſtabliſhed, there was no money known but coin, and many there ſtill are, who do not clearly ſee how money can poſſibly be made of any thing but metal. The ſcarcity of coin raiſed the rate of intereſt, and when banks began to lend their paper, they exacted the ſame intereſt as if they had been lending coin. Hence they were obliged to promiſe payment of their notes, in coin, upon demand. In conſequence of this, the policy of circulation proceeds at preſent upon the ſuppoſition, that bank notes are equal to coin in every reſpect; and when any interruption happens in the ready exchanging of them at the bank, all runs into confuſion. I ſhall afterwards ſhew how this might be prevented.

While a country has a balance of trade, either at par or in her favour, nobody has occaſion for coin, except in order to reduce bank notes to their loweſt denomination of money. But when a balance is due to other nations which muſt be paid in gold and ſilver, every one who wants coin for this purpoſe, runs to the banks, which are obliged to pay in it, and thus they are thrown into diſtreſs. Hence we may conclude, that a bank taking upon itſelf the obligation of paying in coin, without carrying its policy farther than the banking trade, cannot ſtand its ground in a country which owes, upon an average, a balance to other nations. This opens a new and a moſt curious combination.

CHAP. VIII.

CHAP. VIII. In the mechanical operations of trade, when they are not combined upon principles and directed by a ſuperior policy, every balance due from one nation to another upon the whole of their

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their reciprocal payments, that is, in conſequence of their debts and expences abroad, as well as in the courſe of their mercantile operations, muſt be paid in the metals.

For tranſacting this balance, there is a ſet of merchants who deal in the buſineſs of exchange. Every debtor to another country is ſuppoſed to have value in his hands for what he owes; this he converts into bank-paper, with which he buys a bill of exchange, drawn upon the place where he is debtor, and the exchanger who ſells it, demands coin of the bank, which he ſends off for the payment of his bill. If during this operation the bank ſhould ſtand with its hands acroſs, and think only of expedients to provide coin, it is evident, that if ſpecie ſhould totally fail in the country, trade muſt be at an end, and the credit of the bank muſt be undone: for nobody will examine into every circumſtance neceſſary to diſcover the impoſſibility of converting the whole paper currency of a nation into gold and ſilver. Thus a bank which cannot pay in coin, will be ſuppoſed to be ruined, though in reality it may be worth half the property of the ſtate.

Is it not then of great conſequence to banks, and to a nation, that the principles of their trade, and the ſecurity of their paper, ſhould be well underſtood? And is it not wonderful, that they themſelves have not made evident a thing which they muſt underſtand far better than any one who has not had their experience?

CHAP. IX.

CHAP. IX. When a country gentleman owes money in town, beyond what his rents can pay, does

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does he not borrow from ſome body who has money? Does not this borrowing prevent his lands and his houſes from being torn to pieces by thoſe who have a right to demand money of him? Would he not be laughed at, were he to delay pledging a part of his property, in order to ſecure the whole? CHAP. XIII.

The caſe is juſt the ſame with banks. They owe a ſum of coin equal to all the paper they have in circulation. In this they repreſent the country gentleman. Foreign nations demand payment from them in coin; becauſe it is the ſame thing whether this demand be made directly on the bank, or on thoſe who can demand it of the bank. Such nations repreſent the town. Muſt not then the bank borrow upon the credit of the ſecurities pledged at the time they iſſued their notes, and which to them repreſent the gentleman's lands? And can they borrow from any but thoſe who have money? Their own country can have none to lend, while it owes a balance; they muſt therefore borrow from other nations, and transfer what they borrow to their creditors abroad.

Hence I conclude, that as nations which have coin pay what they owe, with coin, and thereby diminiſh the quantity of it; ſo nations whoſe money is their land, pay in land, to the diminution of this ſpecies of property: and as a man who owes a thouſand pounds upon his eſtate is proprietor only of it for the remaining value; in like manner, a couny which pays an annual intereſt to other nations, is proprietor only of what remains.

CHAP. X. If the country gentleman, who is puſhed by his creditors for money, which he can- CHAP. X.

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BOOK V.

not expect to draw from his rents as they become due, ſhould borrow, for a few weeks, from one who, after that time, will have occaſion for his money himſelf, he will be put to all the expence of giving ſecurity for it, and at the end of this ſhort time, he will be at as great a loſs as ever to find money to reimburſe the man who had lent it him. This repreſents the expedient uſed by banks to obtain temporary credits, inſtead of a permanent loan upon a regular intereſt.

CHAP. XI.

CHAP. XI. When trade goes on well, and produces a regular balance in favour of a country, the trade of banking is eaſy, and few employments require leſs capacity. But when the balance begins to be unfavourable, and when, in ſelf-defence, banks are obliged to deal in exchange, the caſe is different.

Whatever balance is due abroad muſt be paid by the banks, as has been ſaid, either in coin or in credit. As long as they pay in coin, the buſineſs of paying the balance is left to exchangers, who conduct the operation. But whenever banks borrow abroad, upon a permanent loan, and thereby acquire a fund to draw upon, the buſineſs of exchange falls naturally into their own hands, and they may profit of it according to circumſtances. In this caſe, not one ſhilling of coin can go out of the country, in the way of payment; becauſe there will be a loſs to any one who would ſend it away, when he can pay cheaper by a bill.

CHAP. XII.

CHAP. XII. But the moſt complicated combinations ariſe from the hurtful conſequences which a wrong balance produces on the ſtate of domeſtic circu-

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circulation. I hope this matter will be the more eaſily comprehended, from the ſhort recapitulation I am now to give of it, after all that has been ſaid upon the doctrine of taxes, and upon the difficulty of paying them, when money is ſent abroad.

Money is the inſtrument of ſale; and when this inſtrument is taken away ſale muſt ceaſe. Now, it is a matter of indifference as to circulation, whether money be rendered ſcarce by being ſent out of the country by the ſtate in time of war, or by the ſubjects who owe it to ſtrangers in time of peace. A determinate quantity of money is requiſite for domeſtic circulation. In whatever way this comes to be diminiſhed, it is the duty and intereſt of banks to fill up the void as faſt as poſſible, by readily furniſhing credit at all times to thoſe who can give ſecurity for what they demand. If banks, by paying balances, ſhall have exhauſted their fund of coin, the fault is their own. Why did they not in time provide the neceſſary funds abroad, upon which they might have drawn bills, and kept their coin at home? But in whatever manner they pay the balance, the conſequence is, to take a ſum of money equal to it out of domeſtic circulation; and this cannot be replaced but by more money lent by them to individuals upon new ſecurities. If an ill grounded fear ſhould at ſuch a time engage them to refuſe credit, when demanded, the country will be in a worſe ſituation than if banks had never been eſtabliſhed, namely, from the ſudden diminution of money, which, without the eſtabliſhment of banks, could not have ſo eaſily happened.

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BOOK V.

But were banks to conſider the whole foreign balance as immediately their own debt (and that it is ſo is certain, when they are obliged to pay it) they would provide the eaſieſt method for acquitting it: ſince the expence to be thereby incurred cannot fall upon them, in any proportion to compenſate the gain they make, by receiving intereſt for all they lend, and by paying none for what they owe within the ſphere of their own circulation.

CHAP. XIII.

CHAP. XIII. Whatever contracts circulation, hurts a bank, and offers no relief to it with reſpect to the payment of balances. If they borrow money at home, they cut off the branch they ſtand upon, *unleſs they continue at the ſame time to give credit to all who demand to borrow upon good ſecurity.* This laſt circumſtance was omitted in the chapter I am now recapitulating; becauſe of the multiplicity of thoſe I was obliged to introduce, in order to demonſtrate how hurtful it is for banks voluntarily to diminiſh the circulation of the country where they are eſtabliſhed. I ſhall therefore bring it in here, and refer to the chapter for the other combinations which cannot be abridged.

Did banks, upon mortgage, make it a rule to borrow all the money offered to them, at a ſmall deduction from the common intereſt, while at the ſame time they continued to lend as formerly, to every perſon of good credit; the conſequence in a little time would be, that they would have, in a manner, the monopoly of all borrowing and lending, and the greateſt part of the expence of theſe operations would be ſaved.

Every

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Every perſon who had money to lend, would lend it to the bank; and every one who had money to borrow, would borrow it of the bank. Upon theſe two operations, the difference of intereſt paid, and received, would more than balance the additional expence of ſo great a detail. But then indeed ſome new law would be neceſſary to facilitate ſecurities. The clogs laid upon ſolid property oblige the bank to inſiſt upon conditions, which put it out of the power of many perſons of good credit to borrow from them. But I do not propoſe plans: my aim is confined to principles; and from this I have mentioned, a new clauſe in bank notes would ariſe, viz. to pay in coin, or by a transfer of intereſt at a determinate rate, in the option of the bearer, not of the bank. CHAP. XIII.

CHAP. XIV. This would be an optional clauſe, very different from that lately introduced into Scotland, where the option of paying intereſt was left to the bank. This has ſince been wiſely ſuppreſſed; becauſe it proved a heavy clog upon circulation, and enabled the bank to avoid doing what their own intereſt, and that of the nation required of them, namely, the readily paying of all balances againſt the country. But in ſuppreſſing optional clauſes, government ſhould facilitate the means of paying balances, and of providing coin. This is done by eſtabliſhing and ſupporting the credit of the banks, in proportion to the ſolidity and extent of their funds. An example of this nature occurred in Ireland, in April 1760, when the parliament intereſted itſelf directly in ſupport of the credit of CHAP. XIV.

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BOOK V.

ſome private bankers. A mint alſo is neceſſary; and if this ſhould be judged improper or ſuperfluous, ſome aſſiſtance at leaſt ſhould be given in conveying coin to the bank from the place of its fabrication.

CHAP. XV.

CHAP. XV. All branches of policy muſt be brought to perfection by degrees, when, inſtead of being eſtabliſhed at once on ſound principles, they introduce themſelves mechanically, by cuſtom and practice only. When therefore a national bank is not found to anſwer all the purpoſes expected from it, private people imitate their plan, and fill up the void. Thus in Scotland, when the banks of Edinburgh did not ſufficiently ſupport circulation in the more diſtant parts of the country, private banking companies were erected, and degenerated into a great abuſe. Every one of them iſſued notes payable to bearer. Thus the public was filled with paper money, the credit of which was quite unknown to many, who were however forced to receive it.

Whatever is payable to bearer, is payable to the public; and no doubt the public has a good right to prevent the iſſuing of notes by ſuch perſons as it has not confidence in. When a note is payable to order, every one who circulates it is reſponſible for the value, in conſequence of the indorſement; but when it is payable to bearer, there is no recourſe upon any but the firſt grantor of the obligation. Such regulations therefore ſhould be made in this reſpect as may give a ſolidity to the paper, facilitate a general circulation, and prevent the eſtabliſhment

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bliſhment of a currency confined to particular diſtricts within the ſame country, which tends to introduce a courſe of exchange from one town to another. This would be the caſe, were the circulation of every country carried on by the county bank. * A communication, therefore, of intereſt between the banks of a country is requiſite, or elſe the obligation to pay ſhould not be confined to the place where the bank is eſtabliſhed. CHAP. XIII.

CHAP. XVI. Here I reſume the principles I have deduced, in a ſhort ſketch of a general plan of regulations for a bank of circulation. CHAP. XVI.

CHAP. XVII. If proper regulations upon the banking trade ſhould be found inconſiſtent with the laws and manners of a people, which require a more extenſive liberty to every one to carry on what commerce he thinks fit, I think it is reaſonable that every company of merchants who iſſue paper, payable to bearer, without the ſanction of government, ſhould be obliged to ſubject their books to ſome kind of public inſpection, that it might be ſeen whether the credit they grant to individuals be of a ſufficient ſolidity to anſwer for the notes they circulate. CHAP. XVII.

CHAP. XVIII. The numberleſs diſtreſſes of the Scots banks at the end of laſt war, made it neceſſary to ſhew, in a particular chapter, what the conſequences might have been, had the banks at that time totally withdrawn their credits, and given up buſineſs. This ſtep would, Firſt, have cut off their whole profits of banking. Secondly, It would have ruined the whole claſs of exchangers; and CHAP. XVIII.

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BOOK. V.

with them, Thirdly, the whole trade and manufactures of Scotland.

CHAP. XIX.

CHAP. XIX. Here I take a farther ſtep into thoſe intricate combinations. I now ſhew how the whole obligation, both of paying in coin, and diſcharging foreign balances, may be taken off from thoſe who adminiſter a national bank. Their notes are propoſed to be paid by a proportional transfer of intereſt. All intereſt due *by* banks on this account, and *to* banks for credit given, is propoſed to be paid in coin at certain terms. Thoſe who have occaſion for coin are to buy it at the mint: but this coin is entirely calculated for domeſtic circulation; and therefore a very moderate quantity of it will be neceſſary. And with reſpect to the payment of all ſums due to foreign nations; I lay this upon government, according to the plan propoſed in the 5th chapter, upon exchange.

Thus the whole policy of circulation is divided into three diſtinct branches:

Firſt, The melting down of property, and keeping circulation full at all times. This is the buſineſs of banks.

Secondly, The providing of coin is the buſineſs of mints.

Thirdly, The granting bills on foreign parts, for value in the national currency, is the buſineſs of the ſtate.

CHAP. XX.

CHAP. XX. The objection to this doctrine is, that if notes be not payable in coin, they will ceaſe to be of value. The anſwer is ſhort. The uſe of paper money is to keep reckonings of value between people who have property; the uſe of coin

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coin is to avoid giving credit to people who have none. CHAP. XIII.

The value of the paper in the country is aſcertained by the value of the intereſt which ought to be paid in coin; and by the bank's not being obliged to pay the capitals in coin, you prevent its being carried off without neceſſity, when a balance becomes due; which balance may be paid by the means of credit.

CHAP. XXI. I ſhew, by many arguments, (afterwards employed in the 10th chapter, upon public credit, and which render this combination more ſimple than I ſhould otherwiſe have been able to make it in this place) that the return of a favourable balance of trade will clear the bank of all the foreign debts contracted by it, for the relief of the country; as a like favourable balance on the trade of Great Britain has the effect of ſetting this nation free from a proportional part of the money due to ſtrangers. In this caſe, the favourable balance is incorporated in the public funds due to natives: in the other caſe, it is incorporated with the ſtock of the bank ſecurities, and enables them to relieve that part of them which was engaged for the intereſt paid out of the country. CHAP. XXI.

CHAP. XXII. The conſtitution of the bank of England differs eſſentially in ſome particulars from that of banks upon mortgage, and private credit. It is not ſo much calculated for multiplying the currency, by melting down private property, as for facilitating the circulation of the trade of London, and exchequer of Great Britain. CHAP. XXII.

The grounds of confidence upon which the notes of this company ſtand are very great.

Firſt,

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Firſt, A capital of eleven millions ſterling, for which they are creditors to the nation.

Secondly, A ſum of credit-caſh at all times in their hand, of about eleven millions more.

Thirdly, The bills of exchange of all the great merchants of Europe, which they diſcount.

Fourthly, When they iſſue paper to government upon the faith of taxes, or circulate exchequer bills, they have the ſecurity of the public faith for the ſhort advance of a few months.

This bank, I have ſaid, is more uſeful for promoting circulation than for augmenting it. It has however lent its aſſiſtance in this reſpect on very critical occaſions. It has circulated exchequer bills; and tallies, which, from diſcredit at the time, were as ill calculated to ſupply the uſe of money, as lands or houſes are, from their unwieldy nature. The great advantage the public reaped from ſuch operations, abundantly ſhews the utility of banks, which are calculated for this very purpoſe.

The principal operations of this bank are, to receive and pay away the greateſt part of all the national revenue, expences, and debts; to diſcount bills of exchange payable at London, and to ſupply the country with coin.

The demand of London from the country of England for ſubſiſtence and manufactures is ſo great, that the whole amount of what is ſent up to that city, for taxes, and for land-rents there expended by the proprietors, does not compenſate it. From which it follows, that by the bank's not giving credit upon private ſecurities, the whole of their paper is in a manner confined to the capital; and

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if any part of that paper casually go into the country, it quickly returns, in payment of what would otherwise be remitted in bills. So that paper circulation in the country of England is very inconsiderable, when compared with the coin. CHAP. XIII.

The intention of this chapter is to examine and compare the principles of the two species of banking, and to point out their several consequences as to circulation; from which I am led to think, that if banks of circulation were to be established in the country towns of note in England, they would greatly promote industry every where, and occasion no inconvenience from their contrast with the national bank.

CHAP. XXIII. After deducing the principles upon which the solidity of paper money is established, I proceed to point out the bad consequences of issuing bank-notes upon a precarious security. The bank established in France by Mr. Law, and the fatal catastrophe it brought upon that nation, furnish excellent matter for illustrating the doctrine of paper credit. CHAP. XXIII.

The late King of France left, at his death, a debt upon his kingdom of 142 millions sterling; the coin being at 28 livres the marc of silver.

CHAP. XXIV. In a few months after his death, the debt was reduced to 100 millions, by the turn of a wheel. The coin was put at 40 livres the marc. But as the hundred millions sterling, *in intrinsic value*, after the reduction, contained as many livres in *verbal denomination*, as the hundred and forty millions did before, the greatest inconvenience discovered by the people was confined to the necessity CHAP. XXIV.

imposed

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impoſed upon them to ſell their old coin at the King's price.

At this time Law ſet up his bank, and without doubt aſſiſted people in this reſpect, with very great benefit to himſelf.

CHAP. XXV.

CHAP. XXV. He divided the capital ſtock of the bank into 1200 ſhares, of 5000 livres each (the livre at this time was exactly a ſhilling ſterling); and the purport of the notes he iſſued was, that payment ſhould be made, at all times, in livres of the ſame intrinſic value.

This bank was eſtabliſhed on the principles of the Scots banks, and lent ſums upon every ſpecies of good ſecurity. The conſequence was, that in leſs than three years, France, from being in the moſt miſerable ſituation for want of money, credit, conſumption, and induſtry, was raiſed, as by magic, to the greateſt affluence. The reaſon was plain: there wanted nothing but an inſtrument to ſet all the inhabitants to work. This Law gave them in a moment; and their own work was the cauſe of the affluence which aſtoniſhed them.

This effect was produced by an inconſiderable ſum of notes: they did not exceed three millions ſterling when Law gave up his bank. But credit and confidence were eſtabliſhed by this ſmall ſum; and the notes brought out all the coin which had been formerly locked up. It is not a great quantity of money, but an exact proportion of it, according to demand, which ſupports trade and induſtry. This proportion may be ſuſtained by the means of banks, but by no other expedient whatever.

CHAP.

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CHAP. XXVI.—XXXIII. Law's bank was no ſooner eſtabliſhed, than he ſought to enlarge his bottom. He found a trading company ruined in their affairs, though intitled to great privileges. He found alſo large ſums of public ſtate billets circulating at great diſcredit, from an ill paid intereſt. He got a grant of the company to himſelf and aſſociates. He opened a ſubſcription for 200,000 ſhares, of 500 livres each. He took payment in thoſe diſcredited obligations; and when he had got the ſtate billets, (given in at ſubſcribing) he engaged the Regent to promiſe punctual payment of the intereſt. This was no ſooner done, than the diſcredited paper, which was become an action, or a ſhare, as we have called it, merely by being ſubſcribed for to Mr. Law, roſe above par. The nation cried out, a *Miracle!* Law was a ſaviour, in the eyes of ſome, a conjuror in the opinion of others.

CHAP. XIII. CHAP. XXVI. XXXIII.

His credit and his capacity for conducting the greateſt undertaking within the power of numbers and computation, being eſtabliſhed, inſpired the Duke of Orleans with a ſcheme of unbounded ambition, which, in favour of many who have never rightly comprehended the nature of it, I have been at very great pains to trace, in the eight following chapters. And as a recapitulation is uſeful to aſſemble ideas within a ſmall compaſs, which have been very widely diſperſed in the work itſelf, I ſhall here, in a few lines, give a general idea of the whole plan.

The Regent perceiving the uſe of paper money, well ſecured on ſolid property, reſolved to take the bank into his own hands, in order to iſſue paper ſufficient

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ſufficient to pay off the whole debt of France. Now paper iſſued for paying debts is ſecured upon no fund at all. It is the ſame as if it were iſſued for payment of meat and drink. The whole ſecurity therefore was his own word.

But the difficulty was to prevent this paper from inſtantly returning upon the bank; becauſe it far exceeded all the uſes of circulation, and, conſequently, could not be employed in it.

The expedient fallen upon was to raiſe the value of the actions of Law's company, (which by the ſubſequent incorporation of new privileges were multiplied beyond 600,000) to a great height, by promiſing great dividends upon them. The company accordingly promiſed a dividend of 200 livres a year, upon a capital which was originally worth no more than 500 livres.

The great quantity of paper money diſperſed had ſunk the rate of intereſt to 2 *per cent.* The dividend, therefore, combined with the rate of intereſt, carried the market price of the action to 10,000 livres. Here was a new fund provided as an outlet for all the bank notes paid to the creditors; and in proportion as they bought the actions from the Regent, or the company, whom I here conſider as the ſame, the notes were to be cancelled.

By this operation all the debts of France were to be converted into actions of the company of the Indies, and were to ſhare its fate. But then it muſt be remembered, that this company had in a manner the whole revenue of France in farm; and by a recapitulation of the different branches of their profits, their income amounted to eighty millions of livres

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livres a year. So that if matters had been well managed, had credit been supported by fair dealing, had no arbitrary acts of power, in tampering with denominations of coin and money, taken place, and had the Regent supported and encouraged the company; they in fact might have been able to pay more than all that was required of them; and the very diminution of the interest of the public debts, by the fall of money to 2 *per cent.* was, in effect, cutting off one half of the capital. So that if we suppose the total value of the 2000 millions of debt equal to 100 millions sterling, the debts of France, by this scheme, would have been reduced to an annuity of 2 *per cent.* on a 100 millions, or two millions sterling a year paid to the company, who then represented the creditors of the nation. CHAP. XIII.

But the project was too great; the capacity of those who were in the management was too small, and the time was too short for bringing about so great a revolution: thus it failed; but in a way which suggests no reason to believe that it might not have been fairly and honestly supported.

CHAP. XXXIV. The denomination of the paper was reduced to one half by an act of power: a man who, for example, had a bank note for 100*l.* had it reduced to 50*l.* This at once destroyed the whole credit of France. But it would have stood its ground, without any doubt, had the Regent called the fifty pounds with which he paid such a note, one hundred pounds; although, if you abstract from the interests of debtors and creditors, which never were attended to, it was absolutely the same thing. The altering the denomination of CHAP. XXXIV.

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paper implies, however, this additional injuſtice above that of altering the denomination of coin, that it changes the value of the paper in all caſes; becauſe it contains no other value than the denomination: whereas coin has a value independent of its denomination, which no law can alter.

CHAP. XXXV.

CHAP. XXXV. The form of a bank propoſed for France, in this chapter, is pretty much the ſame with that mentioned in chap. 16; with this difference however, that here I have not even admitted the payment of the intereſt in coin, for fear that an act of power, by carrying off a few thouſand louis d'ors on a preſent exigency, might totally ruin the credit of ſuch a bank, and conſequently draw ruin on the whole nation.

This bank is intended merely as an office for keeping accounts between people of property and the bank, and thereby of greatly increaſing and ſupporting circulation.

CHAP. XXXVI.

CHAP. XXXVI. Having diſmiſſed the ſubject of banks of circulation, I come next to thoſe of depoſit. Here I deduce the principles upon which the bank of Amſterdam is eſtabliſhed.

This bank iſſues no paper, and grants credit upon no ſecurity but coin locked up in their vaults. Conſequently, the ground of their credit is the faithful preſervation of this coin. Were it at any time to be diminiſhed below the value of the credits written in their books, the nature of the bank would be changed. Were the coin to be lent on good ſecurity, ſuch a bank would then immediately become a bank of circulation upon mortgage; ſince it would be the ſame as if the credit had been at firſt

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first granted upon this security. Were the coin disposed of for no value, the bank would be from that moment bankrupt in fact, although the secret might be kept for a long time. CHAP. XIII.

CHAP. XXXVII. The intention of establishing a bank of this nature at Amsterdam was to fix the seat of trade in that city. The ordering all bills of exchange to be paid to the bank in coin, and the giving to the holders of the bills a credit only in bank for the value, was the effectual means of obliging the proprietors of this credit to carry on their trade in the place where their funds were established beyond a possibility of removing them, except by transferring them to others who, by accepting of the transfer, came under the same necessity. Were indeed trade to become incompatible with the situation of the city, as if an earthquake were to fill up the port, then the bank would either be removed elsewhere, or the credit written in their books would become of no more value than gold in an inaccessible mine. This regulation prevented also the circulation of bad coin; because when payment of bills was made to the bank, they took care that nothing but good coin should be received. CHAP. XXXVII.

From these regulations it appears that money cannot be multiplied by banks of deposit; but on the other hand, it cannot be diminished by exportation, without the act of the bank; and the transfer of credit answers every use of coin in trade, and prevents also its waste in circulation.

CHAP. XXXVIII. Coin is liable to constant vicissitudes. Its denomination may be changed by an act of power, and its real weight may be dimi- CHAP. XXXVIII.

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niſhed in circulation. But when it is locked up, all theſe inconveniences are prevented. Bank money, therefore, being the value of the coin locked up, is conſtantly the ſame: whereas all coin which circulates is liable to variations; conſequently, theſe variations relate to the coin which circulates, and not to the bank-money. The difference between the value of the one and the value of the other is called *agio*.

CHAP. XXXIX.

CHAP. XXXIX. Many have imagined the treaſure of the bank of Amſterdam to be immenſe; becauſe nobody can ever take any thing from it, and that it is conſtantly receiving new augmentations: but the policy of the bank itſelf deſtroys this ſuppoſition, and ſhews plainly, that the ſum locked up never can exceed what is abſolutely neceſſary for circulating the trade of the city.

It is true, no perſon can go to the bank and demand to have the amount of his written credit paid him in coin. But were the written credits to exceed the uſes found for them, the value of ſuch bank-money would diminiſh; conſequently, the value of the circulating coin would increaſe, which is the ſame thing. Now as this would prove a great diſcredit to the bank, they employ a ſet of caſhiers or brokers to keep the balance even. Their buſineſs is to buy and ſell bank credit with current coin, and to theſe the bank gives credit. When there is a demand for bank credit, the caſhiers ſell it for coin, and both parties going to the bank, a new credit is written, or the caſhier's credit is transferred to the buyer. When, on the other hand, coin is demanded for bank credit, the caſhiers pay

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pay for it with coin which the bank lends them; and for repaying the bank they transfer to the bank itſelf the credit they have bought with it. This needs a little explanation. Suppoſe one to have credit in bank for a thouſand gilders, which he wants to ſend away in coin. He goes to the caſhier and ſells his thouſand gilders of bank credit: the bank lends his thouſand gilders to the caſhier, and the man who ſells the credit gets the coin, and makes a transfer of the credit in favour of the caſhier. But as the caſhier owes this ſum to the bank, he transfers this credit to the bank itſelf, in payment of the thouſand gilders borrowed; and then the bank may expunge it, if it pleaſes, from its books; becauſe it is due to itſelf. Thus although no money can be demanded of the bank by one who has credit there, the bank itſelf can give the money to a third party who pays it for them.

PART III. *Of Exchange.*

CHAP. I. FOREIGN circulation is carried on by bills of exchange.

When reciprocal debts are contracted by different countries, the creditors in both take payment at home for the bills they draw to the order of thoſe who pay for them; and they again indorſe the bills to their creditors abroad.

In this contract four parties concur: the domeſtic and foreign creditors; the domeſtic and foreign

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debtors. This operation can extend no farther than to the amount of reciprocal and equal debts; if there be a balance owing upon one ſide, this balance muſt be paid in value, either in money or merchandize. Now as a debt is much eaſier diſcharged by compenſation than by payment, merchants endeavour to profit of this compenſation; but as every one endeavours alike to compenſate when there is a balance on one ſide, it affects the whole courſe of the exchange, and every one muſt bear his ſhare of the expence of paying it.

If London ſhould owe a balance to the world, after compenſating all that the world owes to her, every London-debtor to the world will wiſh to compenſate; conſequently, he will look out for one who is creditor to the world: but this ſearch betrays the ſecret, and ſhews that he is the demander; upon which the other avails himſelf of his ſituation, and refuſes to compenſate without profit. Hence the ſecrecy ſaid to be requiſite in this branch of trade. It is requiſite to the trader only, whoſe intereſt is concerned; becauſe whatever one ſet of merchants in a place wiſh to conceal, another ſet have conſtantly an intereſt to divulge. The intereſt of the ſtate conſiſts in preſerving an equality of profit and loſs among them all; and in facilitating to them the paying and receiving of the balances due upon the total of all their tranſactions. The loſs of the nation is upon the balance due by the country; the expence of paying the balance, which is the price of exchange, is merely a relative loſs to ſome of her ſubjects, and a relative gain to others.

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CHAP. XIII.

The attention, therefore, of a ſtateſman in what regards exchange, is, Firſt, To take care that the true par between the value of the national money and the money of other nations, ſhall be as much as poſſible proportional to the quantity of metal contained in each.

Secondly, To remove domeſtic inconveniences in paying with the metals, or national coin, every unavoidable balance.

Thirdly, To hinder the expence of acquitting a ſmall balance from occaſioning a loſs on the compenſation of reciprocal debts.

And, Fourthly, When he finds an inconvenience in allowing the metals or coin to go out of the country, he muſt aſſiſt in having the balance paid in the way of credit.

CHAP. II.

CHAP. II. The beſt method for determining exactly the true and intrinſic value of the metals, coin, or money, in which the balance due to or from a foreign nation, is to be paid, is to compare the value of a determinate weight of fine bullion with the reſpective denominations of the coin in the two places exchanging; to conſider theſe denominations as the real par of each other; and to ſtate the difference between them, and what is paid for bills at ſight, as the price paid for the exchange. Example. Suppoſing, that at a certain time, we ſhall find one ounce troy of fine gold, to be worth, in the London market, 4*l.* 8*s.*; and that an ounce troy of fine gold, ſhall be at that time, worth 99 livres in the Paris market. Then I ſay that 4*l.* 8*s.* is the exact and real par of 99 livres French: and whatever more or leſs than 99 livres I ſhall receive

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from an exchanger for my bill on Paris at ſight, for 4*l.* 8*s.* muſt be aſcribed to the influence of exchange. To render this method of calculating the more practicable, a propoſal for rendering all mint-weights more determinate is ſet forth in a note.

CHAP. III.

CHAP. III. When upon the whole of a nation's trade with the reſt of the world, a balance is due, it muſt be paid, either in intrinſic value, which totally diſcharges it, or by giving ſecurity for it, and paying intereſt until the diſcharge can be obtained. We conſider in this chapter the methods of diſcharging it.

A ſtateſman is the beſt judge when his people ought to pay with bullion, and when with credit. If he approve of their paying with bullion, that is, with gold and ſilver, he ſhould render the exportation of the metals as eaſy as poſſible. If a duty be laid upon coinage, he need not be afraid that any one will ſend off the coin, as long as bullion can be found; and when this becomes ſcarce, if he do not chooſe that his coin ſhould go out, he muſt lend his aſſiſtance in order to pay with credit. If he find it againſt his intereſt to pay either in one way or in the other, he muſt put a ſtop to the trade which creates the balance: for while ſuch trade is permitted, he will find it beyond his power to prevent the payment of the balance in the moſt hurtful way poſſible to his country.

I here obſerve, that in countries unacquainted with trade, and in others where the whole external commerce is carried on by ſtrangers, a good expedient for cutting off ſuch hurtful branches of traffic is to lay all the reſtraints poſſible on the exportation of

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of the metals, in order to promote the exportation of what the country can offer in return. But when trade and induſtry are eſtabliſhed, theſe reſtrictions ceaſe to be uſeful; becauſe merchants will then find a profit upon exporting domeſtic productions, which they never can find upon exporting an intrinſic value. CHAP. XIII.

A ſtateſman, therefore, ſhould conduct his operations according to the ſituation of his country. If foreign trade be unprofitable, cut it off as much as poſſible; and lay every reſtraint upon the exportation of the coin. If it be profitable, lay no reſtrictions on payments, becauſe you are ſure you will gain upon the whole. And if, in any particular caſe, you would keep your coin at home, mortgage your country, and pay with your credit.

If, when you are obliged to check foreign trade, and lay prohibitions on the exportation of your coin, exchange be found to riſe to a great height againſt you; comfort yourſelf, that this exchange will produce no national loſs: it will be paid within your own country by thoſe who conſume foreign commodities, to thoſe who are at the trouble and expence of tranſacting the balance.

CHAP. IV. Here I demonſtrate what before I had in a manner taken for granted, viz. that the price of exchange is neither a national loſs, or a national gain; but whether it be in favour or againſt a country, it produces an inſtability in the profits upon trade, and ſhould therefore be kept low by all poſſible methods. I alſo ſhew how the price of exchange is favourable to exportation, when the balance is againſt a country, and how it is unfavour- CHAP. IV.

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able to exportation, when the balance is due to the country: and ſince whatever exchange is gained by exporters is loſt by importers, and *vice verſa*, ſome have concluded, that an unfavourable balance does of itſelf deſtroy its own pernicious effects, and ſets the balance even; I endeavour to diſprove this propoſition, by ſhewing how the importers are indemnified, as to their loſs by the exchange, from the additional price they get for their foreign commodities at home; whereas the exporters cannot raiſe the prices of their goods abroad; becauſe foreign competition will not permit them. So that in one caſe the wrong balance hurts the rich conſumer at home, who can bear the loſs; and in the other, the right balance hurts the poor manufacturer, who cannot. Hence I conclude, that it is greatly for the intereſt of a trading ſtate to keep exchange, at all times, as nearly at par as poſſible.

That this is a practicable ſcheme, I prove by a matter of fact, and by an experiment made in France by a late miniſter; where, upon a certain occaſion, the exchange having riſen to a great height againſt France, he immediately brought it to par, by ordering bills upon Holland to be furniſhed at par, to thoſe who ſhould demand them; taking upon himſelf the expence of ſending the money paid for ſuch bills, to the place upon which they were drawn.

I obſerve, however, that ſuch operations can be recommended to ſuch ſtateſmen only, as preſide over the intereſts of flouriſhing trading nations; becauſe in proportion as theſe are benefited by facilitating the payment of the caſual balances due by them from time to time, ſo far is a prodigal nation

 hurt,

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hurt, by facilitating the diſſipation of their property, and by contriving a ready method for transferring it to foreigners. CHAP. XIII.

CHAP. V. When a nation ſtill owes a balance, after all the payments it has been able to make, either in coin, bullion, bills, or merchandize, it is evident, that this balance cannot be ſatisfied except by obtaining credit for it, at the expence of mortgaging the country and paying intereſt for what is owing. When this, however, happens to be the caſe, it involves the nation-debtor in a multitude of expenſive operations conducted by exchangers, who conſtantly find a profit in carrying them on, though at a very great loſs to individuals within the country. To prevent this inconvenience, I propoſe, that the ſtateſman ſhould take upon himſelf the care of obtaining credit abroad, for the balance due by the country he governs; and that the expence incurred by this operation ſhould be defrayed by the public, whereby every individual within the ſtate will contribute his ſhare towards maintaining an uniformity in the profits upon trade, and ſupporting the ſtability of commerce, from the regularity of the courſe of exchange at all times. This operation reſembles very much another of which we have already ſpoken in treating of banks of circulation upon mortgage. There we recommended the payment of foreign balances as a proper branch of bank adminiſtration: here we recommend it to a ſtateſman to interpoſe voluntarily between his ſubjects and their foreign creditors. This is the beſt method for ſupporting commerce, when it accidentally happens to fall under the diſcouragement of an unfavourable balance. CHAP. V.

PART

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PART IV. *Of Public Credit.*

CHAP. I.

CHAP. I. THE credit of a ſtate reſembles, in moſt things, that of an individual: they differ however in this, that when a private man contracts a debt, he himſelf is anſwerable for it. When a ſtate contracts a debt, thoſe who contract the obligation in the name of the ſtate are not reſponſible for it. Hence it happens, that private people are commonly more anxious about paying their debts than ſtateſmen are who adminiſter for the public. Another difference is, that public debts do not ſo much affect the proſperity of a ſtate as private debts do that of the debtor. The intereſt of a private debtor is ſimple and uncompounded; that of a ſtate is ſo complex, that the debts they owe, *when due to citizens*, are, on the whole, rather advantageous than burdenſome: they produce a new branch of circulation among individuals, but take nothing from the general patrimony.

In deducing the principles of public credit, we ſuppoſe it to be an eſtabliſhed maxim of the ſtate to adhere to the faith of their engagements; that a permanent fund be appropriated for the payment of the intereſt of all the money borrowed; that liberty be left to the ſtate to redeem the obligation by adequate payment; that an eaſy transfer of the capital from hand to hand be permitted, in order to indemnify every creditor for the loſs of his capital, which is not demandable from the ſtate, as is commonly the caſe in private ſecurities.

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The conſequence of the ſwelling of public debts, is, to occaſion a proportional augmentation upon the contributions out of private property. The conſequence of this again, is, to produce a vibration in the balance of domeſtic wealth. This creates a monied intereſt, which ſwells in proportion as public debts increaſe; and which may ſwell to ſo great a height as to transfer the income of a whole nation from the nominal proprietors to the public creditors.

A ſtateſman, therefore, ought carefully to attend to the ſpirit of the nation he governs, before he gives way to a regular and ſyſtematical augmentation of public debts. In monarchies, the proprietors of lands may bear for a while the temporary diminutions of their annual income, though they will not eaſily be made to ſubſcribe to a plan which evidently tends to deprive them of all they have, and to transfer their power and property to a ſet of men whom they have always conſidered as their inferiors.

In monarchies, therefore, a great increaſe of public debts will more probably bring on a national bankruptcy, than in governments which participate of the republican form.

The conſequences, therefore, of the ſwelling of public debts may be, either, Firſt, To diſturb the tranquillity of the ſtate, by an attempt to transfer the property of it from the real poſſeſſors to a new created monied intereſt: or,

Secondly, If a ſyſtematical plan of borrowing upon ſolid ſecurity be not laid down, it may mechanically draw on a general bankruptcy: or,

Thirdly,

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Thirdly, If debts be allowed to ſwell beyond due bounds, ſo as to hurt the intereſt of the great body of the proprietors, the ſtate may be engaged to adopt the fatal expedient of a ſpunge: or,

Fourthly, If the ſpirit of the people prove compatible with the ſyſtem of borrowing and ſupporting public credit to the utmoſt extent, then the whole income of the nation will remain in perpetual fluctuation, paſſing from one ſet of creditors to another, the ſtateſman ſtill retaining the adminiſtration of it for their uſe: or,

Fifthly, If the debts contracted become the property of foreigners, theſe will either remove into the country where their funds are, or the income of the whole will be converted into a foreign tribute.

CHAP. II.

CHAP. II. While public expence was defrayed from treaſures, public credit was a thing unknown. While it was ſupplied from rapine and extortion, credit never could exiſt. During the ſimplicity of ancient manners, when there was neither induſtry or circulation, credit was unneceſſary: the coin was more than ſufficient to ſerve every purpoſe of alienation.

When trade and induſtry began to make a progreſs in Europe, in the Hans towns, and in the republics of Venice and Genoa, the conſequences of their credit were ſoon felt by princes, who awkwardly began to imitate their example; firſt, by borrowing money upon mortgages of their lands and principalities; and afterwards by impoſing taxes and ſelling them for what they could get to a moſt rapacious ſet of men, the tax-gatherers.

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This ſpread oppreſſion, and this again ſoon brought the prince to poverty. CHAP. XIII.

Taxes, however, once eſtabliſhed in this violent method, and upon urgent occaſions, came, in time, to be improved, and formed a large fund, which now ſerves as a ſolid baſis for public credit.

CHAP. III. While taxes were appropriated for a time only, for the repayment of the debts contracted by a ſtate, the attention both of the ſtate and of the lenders was totally fixed upon the diſcharge of the capitals: but in proportion as money increaſed, in conſequence of the modern ſyſtem of political œconomy, the lenders formed to themſelves a new point of view, viz. the acquiſition of a permanent intereſt ariſing from a transferable capital. CHAP. III.

In order to make this change of policy from borrowing with an intention to repay the capital, to borrowing with an intention to pay a perpetual intereſt, the more ſenſible, I have traced in this chapter the progreſs of the firſt, by a review of the plan of public credit in England until the end of the laſt century.

Here I briefly analize the ſentiments of Dr. Davenant, and compare them with thoſe eſtabliſhed in our own days, when the latter policy has taken place; and upon the whole I conclude, that the difference between the ſyſtem of public credit then and at preſent, has proceeded principally from the difference in the ſtate of circulation, and from the expedients now fallen upon for increaſing the quantity of money, in proportion to the uſes found for it.

CHAP.

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CHAP. IV. I then compare the ſtate of public credit in France, during the adminiſtration of Cardinal de Richlieu, with that of England immediately after the revolution. Here I endeavour to point out the influence which the different forms of government have upon the ſtability of public credit, both in contracting and in paying off public debts.

In France, the power of the Prince furniſhes many expedients for paying off capitals, which had been borrowed at an exorbitant intereſt in times of public diſtreſs.

In England, the limited power of the crown, and the reſponſibility of miniſters for their exerciſe of it, is a great ſecurity to thoſe who lend money to the ſtate; and conſequently, proves a very great advantage in contracting debts upon reaſonable terms.

The longer the two ſtates ſubſiſt, the greater will the advantage be found in favour of that which adheres the moſt ſtrictly to the faith of its public engagements.

When the credit of France and England are compared together, the difference between them is moſt remarkable. The ſtrict adherence to the faith of public engagements has eſtabliſhed, in England, ſo nice and ſcrupulous a credit, that the ſmalleſt deviation from its principles may prove fatal to the whole ſyſtem. The credit of France, on the other hand, has been accuſtomed to a rougher uſage; and the frequent acts of power, to the prejudice of creditors, occaſion rather a temporary damp than a total annihilation of their credit for the future.

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future. Such acts of power, however, in critical circumstances, prove extremely hurtful; and the advantage of a well established credit will, in all probability, either open the eyes of that nation to their own interest, or bring calamities upon them, which in their present situation, appear little to be feared. CHAP. XIII.

CHAP. V. This chapter contains a short sketch of the plan of public credit, as it has been carried on in Great Britain, from the end of the last century, to the conclusion of the peace in 1763. I here enumerate the principal operations of credit, which have been calculated for enlarging the fund of British circulation, by engaging the bank of England to turn into money the discredited bills and tallies of the exchequer. I have pointed out the principle which circumscribes this power in the bank within certain limits. I have traced the progress and fluctuations of the interest of money; which have constantly been in proportion to the demand for borrowing or lending at the time. I have mentioned the rise of the sinking fund, and the use which has been made of it. I have endeavoured to explain the methods of borrowing by *premium*, and have pointed out the inconvenience attending this plan, as long as the principal view of diminishing a nation's debt is confined to expedients for lowering the interest of the capital. I have given a progressive state of the augmentation of the debts of Great Britain at the end of every war; to which I have subjoined a short state of the nation at the last peace. CHAP. V.

I conclude my chapter, by assigning reasons for the present low state of public credit in Great Britain;

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tain; which has been principally owing to the large ſums of borrowed money inveſted in the funds before the peace, upon the proſpect of a ſudden riſe in their price, on the return of public tranquillity. This riſe would, undoubtedly, have happened, had it not been obſtructed by the neceſſity which the nominal ſtockholders were put to, of bringing their funds to market, in order to anſwer the demands of thoſe from whom they had borrowed what they had inveſted in the funds: and until this operation be compleated, that is, until the funds of Great Britain become veſted in the real proprietors of them, the ſtate of public credit will conſtantly be undetermined.

CHAP. VI.

CHAP. VI. Having given a ſhort ſketch of the preſent ſtate of public credit in England, I endeavour, in this chapter, to extract, from the beſt private authorities to which I could have acceſs, a parallel view of the affairs of France, as far as relates to its revenues, taxes, and debts, at the peace 1763.

By the revenue of France, I here underſtand, not only what comes clear and nett into the King's coffers, but alſo what is farther levied upon his people. The parallel therefore will not hold between the revenue of France and that of England, as repreſented in the preceding chapter, without attending to this difference.

The nett revenue of England charged with all its debts and expence of government, we have ſaid to amount to 10,213,000*l.* The groſs revenue of France, on the other hand, appears to amount to 24,740,834*l.* ſterling.

But if from this laſt ſum be deducted that part which never enters the royal treaſure, and which

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which is expended in levying the revenue, and in appropriations for particular perpetual expences, to the amount of 6 815 111*l.* ſterling, there will remain of net income, paid into the King's coffers, and charged with all the debts and expence of government, no more than 17 925 723*l.* ſterling.

If from this ſum we deduct the total amount of the net revenue of Great Britain, (10 213 000*l.* ſterling) the remaining ſum of 7 712 723*l.* ſterling, will ſhew the exceſs of the French revenue above that of England.

The foregoing ſum of 17 925 723*l.* ſterling, ariſes from the following branches:-

Firſt, Thoſe which compoſe the King's ordinary revenue; which, at the peace 1763, amounted to 12 546 666*l.* ſterling, burdened with the payment of 2 022 222*l.* ſterling of intereſt of the debts charged upon it.

Secondly, The extraordinary taxes eſtabliſhed for a limited time, after the peace of Aix-la-Chapelle. Theſe amount to 2 326 133*l.* and are totally appropriated for the payment of capitals, and intereſt upon them, incurred during the late wars, according to the principles of public credit in practice in England, during the reign of K. William and Q. Anne: and ſo ſoon as this fund has cleared the charges upon it, it is to ceaſe, being no permanent branch of revenue.

Thirdly, The extraordinary revenue raiſed on account of the laſt war. This amounts to 3 052 923*l.* ſterling, and conſiſts of the ſecond and third twentieth penny, granted for a very limited time, and appropriated, as the former branch, for diſ-

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charging the debts lately contracted. The ſum of theſe three branches make the total of the 17 925 723*l.* paid in to the King's treaſury, and burdened with all the public debts.

If we therefore ſuppoſe the two laſt branches of French revenue to be continued until all the debts charged upon them be paid, then we ſhall find the ſtate of that kingdom reduced to the King's ordinary revenue of 12 546 666*l.*; from which however muſt be deducted at leaſt one half of the capitation. This half amounts to 1 182 222*l.* ſterling, and is ſo burdenſome, that its continuance will be impoſſible. The revenue therefore will be reduced to 11 364 444*l.* ſterling, charged with 2 022 454*l.* ſterling, intereſt of debts; of which indeed 711 111*l.* are annuities upon lives, and muſt therefore be extinguiſhed in time.

According to this view, the revenue of France will be 11 364 444*l.* ſterling, charged with the annual payment of 2 022 222*l.* intereſt of debts: and the revenue of Great Britain is 10 213 000*l.* charged with the annual ſum of 4 860 000*l.* intereſt of debts.

What remains free for France is 9 342 222*l.* ſterling; and for England, 5 353 000*l.*

But out of this free revenue of France muſt be deducted the permanent articles of expence charged upon the ordinary revenue, excluſive of the intereſt of debts already deducted. Theſe articles amount to the ſum of 8 468 889*l.* which being deducted from 9 342 222*l.* leaves a free balance of no more than 873 333*l.*

On the other hand, if we ſuppoſe the net amount of the revenue of Great Britain, after paying the intereſt

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interest of its debts, to be, as above, 5 353 000*l.*; and if the expence of the current service of the year, including the civil list, be supposed to amount to 4 800 000*l.* sterling, as it nearly did, before the commencement of last war, there will remain of free balance 553 000*l.** CHAP. XIII.

From all which we may conclude, that, abstracting from extraordinary supplies for extraordinary exigencies, the revenue of both nations is pretty nearly in proportion to their current expence; and, therefore, their respective powers, when engaged in war, will be in proportion to their credit at the time.

CHAP. VII. In comparing the credit of the two nations, two things enter into consideration. First, the confidence of the world, in the solidity of their respective public faith. This I take to be totally in favour of the British nation. The second is, the solidity and extent of the funds, which are to be provided in security of the sums to be borrowed upon future emergencies. These resources, in France, we have seen to consist in their dixiemes, vingtiemes, double capitation, and extraordinary impositions upon the clergy, and other bodies politic; taxes so burdensome in their nature, and so contrary to the spirit of the French nation, that it is hardly possible they ever can be made so permanent as to answer any other purpose than a short temporary appropriation. CHAP. VII.

* But if the current annual expence should not exceed 3 600 000*l.* or 4 400 000*l.* including the civil list, which is nearly the present estimate, we may then add 400 000*l.* to the free balance, and state it at 950 000*l.* in round numbers.

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The true resources of France are confined to those taxes upon consumption above enumerated, which do not enter into the ordinary revenue, and which are now imposed and appropriated for a time only. When these taxes become free, they may no doubt be rendered perpetual, and appropriated for a future fund of credit.

On the side of Great Britain, the case is different. The greatest part of her revenue is already perpetual; and the only two branches of annual grants, the land-tax and malt-duty, are not so excessively burdensome, nor so repugnant to the genius of the people, as to render the raising of them at all precarious. And were this nation once to adopt the system of raising money annually, in time of peace; sufficient to defray the charges of government, the sinking fund would prove a resource for the future, far above any thing that France can boast of.

CHAP. VIII.

CHAP. VIII. Having by this short sketch of the state of credit in Great Britain and France, prepared a sort of canvas for our farther reasoning, I proceed to apply principles to some combinations, which may be formed concerning the consequences of an overstretched credit.

In proportion as credit is used for borrowing money to be sent abroad, either a supply of currency must be provided for filling up the void thereby occasioned to circulation, or alienation, trade, industry, &c. must suffer a check.

And even although money should be borrowed to be spent at home, an additional quantity of it must be added to circulation; because this new expence of the state will require it.

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Every fund of property may be converted into money, with the aſſiſtance of credit, provided the ſtateſman lends his hand to the operation: and the fundamental principle for ſupporting credit of all kinds, is, to ſupply every one with money who has property to pledge for it.

When money is borrowed by a ſtate, to be ſpent abroad, the loan muſt either be made in coin, or in paper. If in the firſt, this coin will be exported; becauſe coin is the money of the world: if in paper, this paper muſt either be converted into coin, and exported, or the value of it muſt be remitted in bills, drawn upon countries, debtors to England, for example; or, in the laſt place, it muſt be paid in the way of credit, by conſtituting England debtor to the Continent for it. When it is paid by bills drawn upon countries, debtors to England, then the conſequence of ſuch a loan is to convert the balance of trade into a capital in the public funds.

In whatever way money be borrowed by a ſtate, whether from natives, or foreigners, the conſequences are the ſame. The operation of a favourable balance of trade will transfer what is owing to foreigners in favour of natives; and a wrong balance of trade will transfer the property of natives to foreigners.

If no check be put to the augmentation of public debts, if they be allowed conſtantly to accumulate, and if the ſpirit of a nation can patiently ſubmit to the natural conſequences of ſuch a plan, it muſt end in this, that all property, that is income, will be ſwallowed up by taxes; and theſe will be transferred to the public creditors, the ſtate retaining the adminiſtration of it.

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BOOK V.

The ſtate, in this caſe, will always conſider thoſe who enjoy the national income as the body of proprietors. This income will continue the ſame, and the real proprietors of it, namely the creditors, will pay the taxes impoſed; which taxes may be mortgaged again to a new ſet of men, who will retain the denomination of creditors; until by ſwallowing up the former ſet of creditors they will ſlip into their places, and become the body of proprietors in their turn, and thus perpetuate the circle.

CHAP. IX.

CHAP. IX. But as a thouſand accidents may, and certainly will, put an end to public credit, before ſuch intricate revolutions can be accompliſhed, the conſequence muſt be a bankruptcy. This may either happen by a deliberate act of government, or from the natural conſequences proceeding from an over-ſtretched credit.

I here endeavour to ſhew, that it is impoſſible to form a ſuppoſition, in which a deliberate act of bankruptcy can become a prudent meaſure. The only end that could be propoſed to be attained thereby, would be, to relieve thoſe who are oppreſſed by taxes. But a ſudden abolition of taxes would have the effect of ruining the landed intereſt, as well as all the manufacturing claſſes. Sudden revolutions are conſtantly pernicious; and no revolution can be ſo ſudden as that of a bankruptcy. If ſuch a revolution ſhould happen, from circumſtances which can neither be foreſeen or prevented, the beſt expedient would ſtill be, to adhere, as much as poſſible, to the faith of public engagements; becauſe no other expedient would be ſo productive of good conſequences, in ſuch a calamitous ſituation.

While

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CHAP. XIII.

While the debts of a nation are due to its own subjects, and while there remains any balance due in favour of the nation, no increaſe of debts can *neceſſarily* bring on a bankruptcy. It is a contradiction to ſuppoſe that a nation can become bankrupt to itſelf. But when, upon the general ſtate of payments between a nation and the world, there is found an annual balance due, which cannot be compenſated either in the way of payment, or in the way of credit, then indeed a bankruptcy becomes unavoidable.

From this reaſoning we may conclude, that the method of determining the exact extent of public credit, is to keep a watchful eye upon the increaſe of debts due to foreigners, and to compare theſe with the favourable balance upon the trade of the nation. When theſe debts and this balance begin to draw near to an equality, if part of the capital be not immediately paid off, by an augmentation upon public contributions, the infallible conſequence will be a ſtate-bankruptcy.

CHAP. X.

CHAP. X. The firſt requiſite for contracting public debts, is to eſtabliſh a fund for fulfilling public engagements. This procures the confidence of the lender. The next is, to eſtabliſh an extenſive plan of credit at home, which may be ſufficient at all times to keep circulation full.

When, from the effects of borrowing, too great ſums, are, from time to time, drawn out of circulation, this void muſt ſpeedily be filled up. If this be neglected, taxes will not be paid, as has been often obſerved: beſides, if money be allowed to become too ſcarce, in proportion to the demand for

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BOOK V.

it, intereſt will riſe, and borrowing will become proportionally more burdenſome to the ſtate in general.

Foreign expence frequently drains the fund of circulation at home: hence a multitude of inconveniences ariſe. To prevent theſe, I ſuggeſt a new ſcheme of borrowing, by opening ſubſcriptions in foreign countries and by paying the intereſt annually in the place where the money is ſubſcribed for. This being to be remitted by the country borrowing, a ſtateſman may, with the greater eaſe, obviate the inconveniences which might ariſe to circulation from ſuch remittances.

In this chapter, I endeavour to prove by new arguments and illuſtrations, that national diſtreſs is more owing to a ſcanty circulation, than to a circumſcribed property; and a ſtateſman who neglects to employ every method for keeping up the circulating equivalent within the ſtate he governs, to the full proportion of all the uſes found for it, fails in the moſt eſſential requiſite for promoting the proſperity of his people, and the eſtabliſhment of his own credit.

Having pointed out the methods of contracting debts, I proceed to the method of paying them. This may be accompliſhed in ſix different ways, by the help of a ſinking fund; which,

Firſt, May be applied annually, to the diſcharge of certain capitals, at the option of the ſtate. Or,

Secondly, According to a certain rule, to determine the preference.

Thirdly, By appropriating the fund, for the payment of a proportional part of the whole outſtanding capital. Or,

Fourthly,

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Fourthly, By reducing the intereſt of the capitals. Or,

Fifthly, By converting the whole of the capitals into determinate annuities, proportionate to the extent of the ſinking fund. Or,

Sixthly, By the means of lotteries, where the ſtate may gain what gameſters are willing to loſe.

I point out the advantages and inconveniences of every plan. The firſt five expedients are too plain to require a recapitulation. The ſixth amounts briefly to a ſuppoſition, that the intereſt of the public debts is brought, by a proper chain of adminiſtration, to a lower rate than in any other part of Europe. In this ſituation, accidental circumſtances will occaſion (as at preſent) fluctuations in the price of the ſtocks. When they fall below par, let government open ſubſcriptions for lotteries; the ſubſcriptions to be paid for in ſtock at the market price. Subſcriptions alſo might be opened, and the old capitals might be received at the market price, and conſtituted a-new at the current intereſt, with a ſmall premium above the rate at the time. By ſuch means, the ſum of the old capitals would be reduced, and a ſmall benefit would accrue to the ſubſcribers. Then, upon the riſe of the ſtocks, the intereſt on theſe ſubſcriptions might be reduced again; from which a double benefit would reſult; the price of ſtocks would be ſupported on one hand, and the capitals of the public debts would be reduced on the other.

CHAP.

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CHAP. XIV.

RECAPITULATION OF THE FIFTH BOOK.

Of Taxes.

INTROD. HAVING already explained the effect of taxes upon domeſtic circulation; it now remains to inveſtigate the principles by which they are to be impoſed on their proper objects.

CHAP. I. CHAP. I. I divide taxes into proportional, which affect conſumption, or, more properly, what may be called expence; cumulative, which affect property; and perſonal, which conſiſt in perſonal ſervice. Theſe I explain by giving examples of each.

CHAP. II. CHAP. II. Proportional taxes may be ſo impoſed as to affect almoſt every expence of living; and as all expence ſhould ariſe from income, not from ſtock, the firſt principle of taxation, is, to confine all impoſitions to income only: * whatever affects a capital

* The gentlemen of the Critical Review for July 1767, (p. 29.) have, very properly, expoſed to the public an extract from this recapitulation, which cannot miſs to convey a very good idea of the ſubject. But I muſt be allowed to ſay, that in order to have made a good criticiſm upon it, it was alſo neceſſary to have read the chapters themſelves. A neglect in this particular has given occaſion to ſome ſtrictures on this 5th Book, which I ſhall not mention, as the anſwer to them would involve me in a repetition of what has been ſaid in thoſe chapters.

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a capital is oppreſſive and unjuſt. But as in every expence there is alienation, (although in every alienation expence be not implied) the beſt method to avoid the miſtake of taxing ſtock inſtead of income, is, to impoſe the tax in ſuch a manner as to affect the conſumers only; in which caſe, whoever buys in order to ſell again, will draw the tax completely back. CHAP. XIV.

CHAP. III. In this chapter, I fully explain the operation of drawing back proportional taxes. CHAP. III.

When the commodities charged with ſuch taxes are either employed in the compoſition of other manufactures, or are conſumed by the induſtrious claſſes, they are conſtantly drawn back; except ſo far as the conſumption made by the latter is an article of ſuperfluity.

Hence I conclude, that the price of *labour* is raiſed by proportional taxes, in proportion to induſtry only, though the price of the *commodity taxed* be raiſed in proportion to the tax. Conſequently, the more taxes are found to increaſe the price of labour, the more we may conclude in favour of the induſtry of the manufacturing claſſes: and the

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I have now corrected, or cleared up, every paſſage of this work, on which the gentlemen (Critical Reviewers), have any ways differed from me in opinion. And I hope I have explained every thing to their ſatisfaction. I am highly obliged to them for their remarks; though I am perſuaded, that many faulty paſſages have ſtill eſcaped their attention. But I muſt further expreſs my acknowledgments for the polite manner in which the author himſelf has been treated: no acrimony, nor perſonal abuſe: a fair criticiſm; and, indeed, many commendations beyond the merit of his performance.

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BOOK V.

more they bring into the exchequer, the more we may conclude in favour of the eaſe and opulence of thoſe who conſume the objects of ſuch taxes.

CHAP. IV.

CHAP. IV. The proper object of cumulative taxes, is the large poſſeſſions of the higher claſſes of a people, which can bear a diminution in favour of the ſtate, without danger of encroaching upon their neceſſary, or eaſy ſubſiſtence. It is not ſo when they are laid upon the lower claſſes; becauſe theſe are either compoſed of the induſtrious, or of beggars. The firſt ſhould be enabled to draw back from the rich, what they advance for the public ſervice. The latter have nothing to give; to tax them is but adding to their miſery, without relieving the wants of the ſtate.

The great advantages of proportional taxes over the cumulative, relatively to thoſe who pay them, may be reduced to three.

Firſt, The proportion between the tax and the object taxed is determinate.

Secondly, This proportion may be known to every body.

Thirdly, The time of paying the tax is regular and gradual; becauſe in paying for the commodity you pay for the tax, and your liberty in buying ſuch commodities is unreſtrained; conſequently, the expence is ſuppoſed to be in proportion to what your income can afford. Whereas in the cumulative taxes, it is, firſt, hardly poſſible to preſerve the proportion between the tax and the eaſe of a perſon's circumſtances. In the ſecond place, it is impoſſible for the ſtate to aſcertain exactly this proportion. And in the laſt place, the demand for the payment

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payment of the tax is made at a time when people are often unprepared. CHAP. XIV.

CHAP. V. The principal objections alleged againſt proportional taxes, are, 1. That they raiſe prices: 2. Diſcourage conſumption: and 3. That they are oppreſſive and expenſive in the collection. Theſe objections are more apparent than real, as will appear from what follows. CHAP. V.

Firſt, A proportional tax, rightly impoſed, and properly levied, will undoubtedly raiſe the price of the objects taxed; but it will conſequentially only raiſe the price of the labour of the induſtrious man who pays it; becauſe he will draw it back in proportion only to his diligence and frugality.

The price of labour is *regulated* by demand, and is *influenced* only by proportional taxes.

Secondly, As to diſcouraging conſumption, if taxes raiſe prices, this circumſtance proves the increaſe of conſumption; becauſe, were conſumption to diminiſh, taxes would be ill paid, and prices would fall of courſe, even to the detriment of the induſtrious. Theſe are always the conſequences of proportional taxes, when wrong impoſed.

Thirdly, As to the expence and oppreſſion in levying them, theſe inconveniences are, in a great meaſure, in proportion to the diſpoſition of the people to defraud the public: for when they are fairly paid, and honeſtly collected, proportional taxes are little more expenſive, and infinitely leſs oppreſſive than any other. I conclude my chapter with ſome obſervations drawn from the practice of different countries, which point out a method of avoiding both the oppreſſion and the expence of levying proportional taxes.

CHAP.

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BOOK V. CHAP. VI.

CHAP. VI. All taxes are paid out of the circulating money of a country; consequently they cannot exceed a certain proportion of this sum. It is not, therefore, from the value of the property, or the quantity of consumption in the country, that any one can form a guess of the probable amount of taxes, so much as from the easy and expeditious circulation, which facilitates alienation and sale.

Were taxes, indeed, paid in kind, they might bear a proportion to fruits and labour; but then, were the state to export the amount of them, the exportation would diminish the fund of subsistence: whereas the state now draws a share only of that quantity of money which circulates through the hands of every individual.

The great difference between cumulative and proportional taxes, consists in this. That in the first, he who pays them cannot draw them back in proportion to his industry; in the last, he may: but as far as any one of an industrious class proves idle or extravagant, every proportional tax will as certainly affect his daily profits, as every cumulative tax will affect the income of a fund already acquired. This deduction of principles is of great use in imposing taxes; because it points out the method for giving to many cumulative taxes usually imposed on the lower classes, all the advantages of those of the proportional kind.

CHAP. VII.

CHAP. VII. Taxes ought to be imposed for the benefit of the public, not for the emolument of private people: and while this rate is observed taxes will prove beneficial in every respect. When they

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CHAP. XIV.

they are properly levied, they abridge only unneceſſary private expence: when they are properly applied by the ſtate, they advance improvement every where; and thoſe who have fortunes, already improved, will be brought to contribute to the eaſe of the lower claſſes.

Thus by the help of cumulative and proportional taxes, rightly impoſed, and rightly expended, circulation is greatly increaſed: induſtry is advanced; the public good is augmented, not diminiſhed; and the burden of payments becomes ſo equally proportioned, as not to be felt in any degree ſufficient to overbalance the advantages reſulting from the general ſyſtem.

CHAP. VIII.

CHAP. VIII. Having ſaid that cumulative taxes affect the income of funds already acquired, I obſerve, that this income proceeds from moveable or immoveable property; the firſt of which will conſtantly avoid the graſp of every ſtateſman who attempts to lay a tax upon it. Cumulative taxes, therefore, if carried to their utmoſt extent, may abſorb the whole income of *immoveable property*; but of that only.

Proportional taxes, again, have been ſaid to affect the ſuperfluity of thoſe who conſume the objects of them; conſequently, if every thing which is conſumed were firſt to ſuffer an alienation for money, a proportional tax might be impoſed upon it.

The method, therefore, of carrying proportional taxes to their utmoſt extent, is, to draw to market every thing conſumable; and inſenſibly to raiſe the tax upon it, ſo high as to abſorb, as much as poſſible, the whole ſuperfluity of the conſumers.

Taxes

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BOOK V.

Taxes being carried to this height, the ſtate will, from the cumulative taxes, become proprietors of the whole income of the immoveable funds; from the proportional taxes, it will draw from all perſonal eſtates, the full amount of ſuperfluity; and the induſtrious claſſes alone will augment their wealth, in proportion to their frugality.

From this general principle it appears, that for the right eſtabliſhment of proportional taxes, conſumption is requiſite, together with alienation; conſequently, where alienation takes place without conſumption, as in the ſale of lands, and other immoveable ſubjects, a proportional tax cannot be, properly, impoſed. And alſo where conſumption takes place without alienation, as when the fruits of the earth are conſumed by thoſe who raiſe them, proportional taxes cannot, with any propriety, be levied. Farther,

As proportional taxes bear a proportion to circulation, it follows, that they can be raiſed only upon alienation by ſale. Many examples however may be found of proportional taxes, impoſed in different countries, where neither ſale or even alienation takes place. Theſe I obſerve to be the worſt kind of proportional taxes, and the moſt oppreſſive to thoſe who pay them.

From the principle that proportional taxes ought to be in proportion to circulation, and not in proportion to conſumption, we diſcover the reaſon why of old they were ſo difficult to be raiſed. Conſumption then went on as now, in many reſpects, in proportion to the number of inhabitants; but circulation, that is, alienation by ſale, bore no proportion to it.

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CHAP. XIV.

The effect of every increaſe of circulation is to ſwell the amount of proportional taxes; and when they are extenſively impoſed in a country of induſtry, the whole currency is thereby made to flow through the coffers of the public, as the blood of the human body flows through the heart, and is by it diffuſed through every member.

CHAP. IX.

CHAP. IX. I next examine the conſequences of a total abolition of taxes, the better to diſcover the effects which ſuch an alteration would produce, firſt, upon the proſperity of the whole community; and next, upon that of the principal claſſes of inhabitants, which compoſe it. Theſe I reduce to three.

Firſt, Thoſe who adminiſter government, and who are maintained from the amount of taxes.

An abolition of them, with reſpect to this numerous claſs, would draw conſequences along with it, directly deſtructive to their intereſt; and, conſequently, prejudicial to that of all the induſtrious claſſes who ſupply their conſumption.

Secondly, With reſpect to the ſecond claſs, which I ſuppoſe to be compoſed of the induſtrious part of the people, I obſerve, that an abolition of taxes muſt proportionally imply a diminution of circulation; this would produce a proportional diminution upon alienation; conſequently, would interrupt the induſtry of many, and thereby throw them into a hurtful competition among themſelves for ſubſiſtence. And as it has been proved, that the induſtrious claſſes pay no taxes, as matters ſtand, provided they be diligent and frugal, they conſequently would *gain* nothing, and muſt *loſe* a great deal by the abolition of them.

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Thirdly, In the third claſs I comprehend thoſe whom we have hitherto conſidered as the opulent and idle conſumers. Of this ſort the proprietors of land form a conſiderable branch. They, we have ſaid, draw back no part, either of the cumulative or proportional taxes, which affect them; but although they be deprived of this immediate indemnification, which reſults to the induſtrious, they reap, in another way, advantages which more than compenſate all the burden laid upon them. Theſe advantages proceed from the conſequences of that ſpirit of induſtry which is diffuſed over the whole people; in conſequence of which, their lands are improved, the produce of them is readily diſpoſed of, and what proves ſuperfluous for domeſtic conſumption meets with a ready market abroad, and thereby ſupports the value of all productions within the country.

It may be aſked, then, where the burden of taxes falls, ſince every claſs of inhabitants ſeems to gain ſome advantage by them?

I anſwer, that they imply no burden when rightly impoſed. The augmentation of induſtry, in conſequence of the increaſe of circulation, provides a fund out of time well employed, which, when converted into money, is more than ſufficient to pay all taxes not immediately affecting the income of ſolid property; and the conſtant improvement of this property, from the conſequences of an extenſive induſtry, is more than ſufficient to indemnify the land-proprietors.

Taxes, in this light, reſemble the expence laid out upon new eſtabliſhments for improvement; be-

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cauſe in their conſequences they augment the proſperity and eaſe of the whole people, not in conſequence of being levied, but of being properly applied, as is farther explained in the next chapter. CHAP. XIV.

CHAP. X. Here I examine whether taxes be a ſpur to induſtry, as ſome pretend. CHAP. X.

The doubt concerning this point has ariſen from what daily experience has ſhewn, namely, that nations become induſtrious in proportion to the taxes they pay. It is not very evident, how the firſt *payment* of a tax ſhould enable him who has paid it, to diſcharge it with more facility for the future; unleſs it be from the profit he reaps in drawing it back from others, with an additional profit to himſelf. But it is palpable how the amount of taxes, being properly *expended* by a ſtate, ſhould increaſe circulation, and give freſh encouragements to induſtry of every kind.

I cloſe this chapter with a ſhort contraſt drawn between the nature of ancient and modern circulation, accompanied with obſervations upon their reſpective effects in rendering mankind induſtrious.

CHAP. XI. Of all cumulative taxes, that which is judiciouſly laid upon land-property produces the greateſt amount, with the leaſt oppreſſion to the contributors. This leads me into a more particular inquiry into the nature of the land-tax, as it is eſtabliſhed in Great Britain, and in France. CHAP. XI.

To render a land-tax equal and eaſily borne, the impoſition ought to be preceded by a fair valuation of every article of revenue intended to be taxed, and no other income but that proceeding from an immoveable fund of property, ought to be affected

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by it. From this I am led to diſapprove of the method of aſſeſſment eſtabliſhed in England in order to aſcertain the land-tax; and alſo the practice of blending a tax upon ſolid property, with an impoſition upon perſonal eſtates, which we have ſhewn to be of a nature incompatible with cumulative taxation.

The defects of this kind of impoſition in France (where it is called the *taille*) are different. There the rents of lands, which are the proper object of every land-tax, are frequently withdrawn from under the influence of it, in conſequence of the privileges enjoyed by the higher claſſes, which are exempted from the *taille*. The conſequence is, that the French land-tax falls upon that part of the lower claſſes who are employed in the cultivation of the ſoil. From this proceeds a double inconvenience.

If thoſe who cultivate be proprietors, their portions are, commonly, very ſmall, and a land-tax which would be light to a conſiderable proprietor, is quite intolerable to thoſe who draw little more from their portion than what is neceſſary for their own ſubſiſtence. If thoſe who cultivate are leſſees to the more conſiderable proprietors, the burden falls upon them independently of the land-rent, which ought naturally to bear it.

As a proof that this is a true repreſentation of the matter, I review the Mareſchal de Vauban's ſcheme for new modelling the ſyſtem of French taxation: and from the intolerable oppreſſion which would follow the execution of it, we may judge of the preſent ſtate of taxes in a nation where this ſcheme was intended as a conſiderable alleviation of their burden.

Nothing

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Nothing but the eſtabliſhment of induſtry and an extenſive credit, with a ſubſtitution of proportional taxes, inſtead of the many cumulative ones, impoſed on the lower claſſes in France, can ever produce a facility in paying the conſiderable impoſitions laid upon that nation. CHAP. XIV.

CHAP. XII. The moſt proper method for impoſing a land-tax is, without doubt, to confine the impoſition to the rent of lands only, and to lay it on in proportion to them. But how is it to be expected that ever ſuch a plan can take place in a nation where the proprietors of land govern the ſtate? In France, the power of the King has never been able to eſtabliſh a tax upon the rent of lands, for any longer duration than that of a foreign war. In a neighbouring nation, it has now been eſtabliſhed for the greateſt part of a century. Were it there to become perpetual, it might be converted into a new domain, or it might prove a fund for diſcharging, at once, a very great part of the national debt. CHAP. XII.

When taxes are impoſed, it is of great conſequence to eſtabliſh a right adminiſtration of them. The eaſieſt method for a ſtate, is to give them in farm; and this was the general practice every where, on the firſt eſtabliſhment of taxes. But with reſpect to this no general rule can be laid down.

Cumulative taxes are better levied by commiſſioners, than by farmers. The operation of levying them is eaſy; and when they are farmed, the lower claſſes of the people are apt to be oppreſſed. When farms are properly eſtabliſhed, an open management of them is abſolutely requiſite: from this,

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new improvements naturally arife, which give to the farm almoſt every advantage of the management by commiſſioners. This refinement conſiſts in dividing the profits upon the farm between the ſtate and the farmers: a plan put in execution in France not many years ago.

No queſtion whatever appears more difficult to reſolve, than how to aſcertain the fund out of which taxes ought to be paid. Through the whole courſe of this inquiry, I have endeavoured to ſhew, that the moſt proper fund out of which taxes can be levied, is the money circulating among the inhabitants, either in conſequence of ſale, or of payments. In order to ſet this queſtion in a new light, I have commented upon two paſſages of Davenant, where he eſtimates the value of the taxable fund from the quantity of national conſumption.

From this he is led to compute the yearly taxable expence of every man in England at 8*l.* ſterling; when perhaps the circulation of money through the hands of many may not be above twenty ſhillings: whereas, according to my theory, theſe twenty ſhillings only are what can be laid under any taxation whatever.

I thought this method of comparing the reſult of Davenant's reaſoning with my own, might better ſerve to ſupport the latter than any other I could contrive.

The laſt queſtion propoſed in this chapter is no more than a hint to ſhew, that a proportional tax, laid upon meat and drink, is the moſt proper equivalent for a land-tax; becauſe thoſe who purchaſe their ſubſiſtence with money are, according to the principles

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principles of the firſt book, thoſe who conſume that part of the fruits of the earth which is equivalent to the land-rent. If this land-rent be arbitrarily laid under an impoſition, by a pound rate, or otherwiſe, the proper drawback, if any be allowed, ſhould be from a tax laid upon thoſe who conſume that part of the earth's produce which belongs to the landlords.

I have now concluded this inquiry, according to the plan I at firſt propoſed. It is the fruit of eighteen years cloſe, though agreeable application; interrupted only by many intervals of bad health, and many ſtrokes of adverſe fortune.

It never was, till lately, my intention to offer to the public, during my life, what I had compoſed purely for my own inſtruction and amuſement. But upon comparing my ſentiments in ſeveral points with thoſe of the generality of my friends, they have been found ſo widely different, that I was thought in duty bound to my country, to ſubmit them to the criticiſm of the public.

To this I have the more willingly ſubmitted, as I thereby ſhall purſue my firſt intention in taking my pen; which was, to clear up my ideas on this ſubject. And ſince I can now draw no farther knowledge from my own inquiries, I muſt expect it from the criticiſms of thoſe who may think it worth their while to animadvert upon my notions *.

* The gentlemen of the Monthly Review, after ſome general commendations on the propriety of having adapted my ſtyle to the nature of the work, and on the arrangement I have made of the ſubject, differ, they ſay, widely from me in ſome of my *Political* principles; and think many of my œconomical princi-

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BOOK V.

ples would lead to regulations much too minute to be conſiſtent with a juſt ſpirit of manly freedom and ſelf government, in the common affairs of life; yet, &c.———

Now, as to the political principles in which theſe gentlemen differ from me; I hope I have ſatisfied my reader, that all difference here has proceeded from a miſconſtruction of my words.

But as to the œconomical principles objected to, I have not ſo good a defence. I am entirely of their opinion; and have every where been ſo, except in my cloſet. I don't know how it is, but I find when I am laying down certain rules for others, I never almoſt reliſh them when I make the application to myſelf. Does not every one love the œconomy of a batchelor's houſe, better than that of another directed by a prudent matron? In the firſt, we can at all times exert a juſt ſpirit of manly freedom; in the laſt, we find a reſtraint on many occaſions. Now, I frankly acknowledge, that I have perhaps, on ſome occaſions, been more apt to conſider myſelf in the light of a political matron, than that of a jovial and free-born Engliſhman. But I have ſaid, that moſt of the work was compoſed abroad; and, as the French proverb has it,—"*Il faut hurler avec les Loups.*"

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